EUROPE'S BUSINESS NEWSPAPER

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AUDITING
Figures that do not add up
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World News

India extends grounding order on Airbus A320

Indian Airlines, India's domestic carrier, is to lease out its fleet of 14 Airbus A320s after the unexpected decision by Prime Minister VP Singh against an immediate resumption of operations, halted since February 18 after the crash of an A320 at Bangalore.

Mr Singh said operations would not be resumed until an inquiry had established the cause of the crash. Page 18

'Iraqi gun' arrests

Senior executives of UK companies at the centre of the Iraqi gun project controversy were being questioned after customs officials said that 14 UK nationals were being held. Page 18

UN Third World plan

All members of the United Nations agreed on a development plan aimed at revitalising Third World economic growth. The plan draws special attention to the environment, human rights and women.

Cambodia ceasefire

Thai officials met Phnom Penh Prime Minister Hun Sen hoping to arrange a ceasefire in the 11-year Cambodia conflict and to coax more concessions from him to Khmer Rouge-led guerrillas.

Hunger strike

Thirty Romanians have started a hunger strike as part of a marathon protest against the leadership of interim President Ion Iliescu, whom they brand a neo-communist. Poll postponement urged, Page 2

Burma refugees

Repression by the military regime in Burma has set off an international effort to persuade Thailand to ease the plight of 40,000 Burmese refugees in the country. Page 4.

Roh to visit Japan

South Korea and Japan resolved several disputes over the rights of Koreans living in Japan, clearing the way for a visit to Tokyo by President Roh Tae Woo of South Korea. Page 4

ANC nationalisation

African National Congress said it might re-nationalise state-owned companies now being privatised in South Africa if it was elected. Background to S Africa talks, Page 4

Sandinistas blamed

Nicaragua's new government "has inherited a country in bankruptcy," said Dr Francisco Mayorga, central bank president. Nicaragua rides the roller coaster, Page 8

China executes 14

Three moonshiners who made and sold poisonous liquor that killed 20 people and 11 other criminals have been executed in Guangdong, southern China, said an official from the provincial radio station there.

Cuba celebrates

Three million workers celebrated May Day across Cuba with mass marches billed as a show of support for President Fidel Castro and the island's socialist system.

Salvador delay

Salvadorean rebels said peace talks with the Salvadorean Government due on May 3 have been delayed so both sides can present proposals to United Nations mediator Alvaro de Soto.

Lhasa troops cut

Chinese troops began withdrawing from the sacred centre of the Tibetan capital Lhasa as martial law was lifted 14 months after pro-independence protests in the city.

Kashmir deaths

Indian troops killed two people for breaking a curfew in Srinagar and widened a dragnet for Moslem militants fighting Indian rule in Kashmir, police sources said.

Business Summary

Purchasing index confirms US industrial recovery

THE US manufacturing recovery was strongly confirmed as the purchasing managers' index returned to a positive value after 11 months of decline. Page 18

MARKETS: a downturn in the Treasury bond market after a stronger than expected report from US purchasing managers pulled equities off their morning highs but they clawed back by midsession. In London, a sound performance from the futures market yesterday helped UK equities. Tokyo ended firmer after moving in a narrow range in very thin trading. Back Page, Section 11

GERMAN Wings, independent Munich-based airline, has filed for bankruptcy after partnership discussions with other airlines broke down last week. All flights have been halted. Page 19

US Supreme Court: Scope for legal challenges to takeovers within the US has been further increased by a unanimous ruling that individual states, consumers and competitors can sue in federal courts for a merger to be unravelled on competitive grounds. Page 18

PRUDENTIAL-Bache, a subsidiary of the giant Prudential Insurance of the US, all but withdrew from the UK equity market as the difficult stock market conditions of recent months began to take their toll. Page 9

BOEING, aircraft maker that was last year hit by a 48-day machinists' strike, unveiled sparkling first quarter net profits of $302m or $1.31 a share, almost double the $161m or 70 cents net recorded in the first three months of 1989. Page 22

LUXEMBOURG-based Bank of Credit and Commerce International announced losses of $498m in 1989 and confirmed that a majority share-ownership was now in the hands of the Government of Abu Dhabi. Page 19

FORMOSA Plastics, Taiwan's biggest private industrial group, is to join Tuntex Group of Taiwan and Sanlin Group of Indonesia in a petrochemicals project in Xiamen, on China's southern coast. Page 8

CHRYSLER, US motor manufacturer buffetted by a major restructuring and the depressed automobile market, announced that it made modest net income of $71m in the first quarter of the year. Page 20

OIL and gas joint ventures between western companies and the Soviet Union's Ministry of Geology are likely to increase following a conference in Moscow last week which clarified two critical issues. Page 32

BANK of Israel estimated that a wave of immigration by Soviet Jews will require additional Government spending of nearly Shk7bn ($3.28bn) over the next three years, more than half of which would have to be covered by borrowing. Page 4

NICARAGUA: new government "has inherited a country in bankruptcy," according to Dr Francisco Mayorga, president of the central bank.

BANK of Cyprus Group, largest financial organisation on the divided Mediterranean island, boosted pre-tax profits by 33.8 per cent last year and announced the largest share issue ever made in Cyprus. Page 23

SOCIETE Générale de Surveillance, Swiss company which is the world leader in inspection services, removed all barriers to foreign ownership of its shares and offered to swap its existing non-voting stock for new bearer shares with voting rights. Page 20

DEMONSTRATORS HIJACK SOVIET MAY DAY CELEBRATIONS

Soviet leaders jeered in Red Square parade

By Quentin Peel in Moscow

PRESIDENT Mikhail Gorbachev and most of the Soviet leadership made a hasty exit yesterday as thousands of demonstrators used the traditional May Day celebrations to denounce Communist Party rule.

Whistles, cries of "Shame" and resounding cheers for the rebellious Baltic republic of Lithuania greeted the Soviet leaders at the end of a free-for-all parade, as protestors crowded round the Lenin mausoleum on the hallowed cobbles of Moscow's Red Square.

The confrontation between President Gorbachev and the consequence of his political reforms came only minutes after he had watched a traditional trade union demonstration bearing slogans, almost equally hostile, from the opposite end of the political spectrum.

The trade unionists demanded a national referendum on any move to a market economy, union control over prices and a state guarantee against the threat of unemployment.

The Soviet leader, who began the holiday celebrations looking relaxed and cheerful, ended by drumming his fingers on the mausoleum parapet in obvious irritation before abruptly marching away with his colleagues in mid-demonstration.

In front of him, the nationalist flags of the various Soviet republics were on display. They were dominated by more than 100 of the red-yellow-and-green tricolor of Lithuania, which were matched only by a huge cardboard crucifix carried by a bearded Russian Orthodox priest.

Gone were the serried ranks of the disciplined proletariat, cheering for the eternal revolution and the huge displays of colour co-ordinated gymnasts. They were replaced by such slogans as "Down with the KGB," and "Socialism without Democracy equals Sausage without Meat," a cry from the hungry Muscovite's heart.

Mr Gorbachev had invited Mr Gavriil Popov, the radical economist who has just been elected Mayor of Moscow, on to the mausoleum, as well as trade union leaders and a couple of token workers, to join the more sober-hatted party leaders.

He ended by being savaged by both sides. The labour leaders warned that any radical moves to a market economy would hurt the working class, causing rampant inflation and unemployment.

But down in the crowd, the slogans called for "real wages," and "an end to experiments – let's get down to work." Then came about 50,000 assorted radical Muscovites and far-flung nationalists, summoned by the Moscow Voters Association whose supporters have won a clear majority on the new city

Continued on Page 18

Threat from new Russian hardline party, Page 2; Radical economic reform challenge, Page 17

Soviet President Mikhail Gorbachev (right) and Conservative Politburo member Yegor Ligachev watch the offical May Day parade in Moscow yesterday before unofficial protesters (below) poured into Red Square

US and Iran in fresh attempt to settle claims

By Laura Raun in Amsterdam, Lionel Barber in Washington and Scheherazade Daneshkhu in London

US AND IRANIAN officials, apparently encouraged by the release of American hostages in Lebanon, met yesterday in the Netherlands in a fresh attempt to settle mutual financial claims that have been pending for nearly a decade.

Mr Abraham Sofaer, legal adviser to the US State Department, and Mr Ali Heyrani Noobari, Iran's agent to the Iran-US Claims Tribunal, met at a secret location in The Hague. The talks, which follow the release of Mr Robert Polhill and Mr Frank Reed by pro-Iranian kidnappers in Beirut over the past 10 days, are expected to continue today.

The tribunal, founded in 1981 under an accord which ended the imprisonment of 52 US embassy staff members in Tehran, is the only official link between the US and Iran.

Its representatives have always maintained that it is above politics but President Hashemi Rafsanjani of Iran has repeatedly hinted that American hostages might be freed if frozen assets were released. Of the remaining 15 western hostages in Lebanon, six are American.

The US Administration continues to insist that there is no question of a deal with Iran to free the captives, but by word and gesture it has indicated a more conciliatory approach to Tehran.

On Monday, Mr Bush gently nudged Israel to consider releasing Sheikh Abdel Karim Obeid, a Shia Lebanese cleric seized by Israeli forces last year, saying he "certainly had no objection" to such a move. He also publicly praised Iran for the first time for exerting influence on the kidnappers in Lebanon.

Mr Rafsanjani may be able to use signs of Washington's goodwill – including the talks in The Hague – to counter his radical critics at home and claim tangible results from the release of hostages.

The tribunal adjudicates claims arising from the Iranian revolution and has several escrow accounts under its auspices, including a "foreign military sales" account containing several hundred million dollars. That account is associated with the single biggest case – an $11bn claim against the US for allegedly unfulfilled military sales.

More than 2,500 claims are still pending. So far the US has received about $1.5bn in awards and Iran about $600m.

Continued on Page 18

Scope widened for takeover challenges

By Peter Riddell, US Editor, in Washington

THE SCOPE for legal challenges to takeovers within the US has been further increased by a unanimous Supreme Court ruling that individual states, consumers and competitors can sue in federal courts for a merger to be unravelled on competitive grounds.

The decision comes when states are becoming more active in seeking to block acquisitions. Several, most recently Pennsylvania, Massachusetts and Delaware, have passed laws making hostile takeovers more difficult.

State anti-trust activity grew during the 1980s, partly as a result of the relatively few challenges to mergers by the Reagan Administration, though a more active approach is now followed by the Bush team.

The ruling increases the uncertainty in takeovers since it means that individual states and other parties can take legal action seeking divestiture even where a deal has been approved by the federal authorities. Until now states and other parties hurt by anti-trust violations have only been able to sue for damages or to try to block a deal before it has been completed, but not to seek subsequent divestiture.

The federal government already has powers under the Clayton Act to seek divestiture as a remedy for a merger which violates the anti-trust laws, but there has been a dispute over whether this authority extends to states and businesses.

A federal appeals court last year decided that divestiture could only be ordered in cases initiated by the federal govern-

Continued on Page 18

Thatcher softens on political union

By Ralph Atkins in London

MRS Margaret Thatcher, the UK Prime Minister, yesterday signalled that she was willing to be more conciliatory on European political union provided it was within clearly defined limits.

The Prime Minister, in a statement to British Members of Parliament following the Dublin summit of European Community leaders at the weekend, said Britain would offer "constructive ideas" on political union. If its limits could be agreed, she said, then "we could show that many of the fears were groundless".

On economic and monetary union she reaffirmed the conditions for the timing of Britain's entry to the Exchange Rate Mechanism but she gave a strong hint that, were the UK to join, it may initially take advantage of wider bands for currency movements. Mrs Thatcher underlined her opposition to fixed exchange rates.

Her comments appeared intended to balance her own cautious instincts on European union and those of many backbench Conservatives, while at the same time offering hope of finding a way forward with other EC leaders.

The Prime Minister seemed anxious to avoid accusations of being isolated from Chancellor Helmut Kohl of West Germany and President François Mitterrand of France, who, before the Dublin summit, floated ideas for swifter progress towards political union.

She said it was clear from discussions in Dublin that there were "widely differing views" on what political union covered. She offered, instead, limits to how the concept should be interpreted.

"I suggested that we should all make clear that political union does not mean, for example, giving up our separate heads of state, or our national parliaments, or our legal or electoral system, or our defence through Nato."

She proposed that there should be no change to the role of the European Council of Ministers as the community's main decision making body, with ministers each accountable to their national parliaments.

Poll tax debate, Page 9

DAF plans cut in output as it forecasts deficit for first half

By Kevin Done, Motor Industry Correspondent, in London

DAF, the Dutch commercial vehicles maker, yesterday warned of a loss for the first half of the year because of the severe recession in the UK truck market.

It is planning a further reduction in output and workforce at its its Leyland truck plant in the north-west of England as well as a cut of up to 10 production days at its Eindhoven, Holland, and Westerlo, Belgium, plants in the second half of the year.

Only a year after it was successfully floated on the UK and Dutch stock exchanges, Europe's sixth largest truck maker forecast a loss of Fl 20m to Fl 30m ($10.6m to $15.9m) in the first half of 1990 compared with a net profit of Fl 74.5m in the corresponding period last year.

It said that it still expected to make a profit in the whole of 1990, helped by the start-up of several military truck contracts later this year for the UK and Dutch defence ministries.

DAF's announcement is the clearest evidence yet of the depth of the recent decline in certain European truck markets. The markets were still running at a record level overall in 1989.

The DAF share price has already been seriously depressed and the shares were suspended yesterday afternoon in London and Amsterdam at Fl 33.30, compared with an issue price of Fl 47.00 last spring and a peak last year of Fl 61.00. Trading will resume today.

DAF, which took over the heavily loss-making Leyland truck operations in the UK in 1987, is highly dependent on Britain, which was the biggest single European truck market last year. It derived 43 per cent of its turnover from the UK in 1989 compared with 22 per cent from the Benelux countries, 28 per cent from the rest of Europe and 8 per cent from the rest of the world.

Demand for trucks in the UK began to fall precipitately in the final quarter of last year. Sales for the whole of 1989 were the highest of the decade at 69,234, but in the final quarter demand was 20.2 per cent lower than a year earlier.

In the face of high interest rates and the UK economic slow-down, truck sales (above 3.5 tonnes) fell again by 25 per cent in the first quarter of this year. Sales of heavy trucks (above 15 tonnes), where DAF is the UK market leader, were 32 per cent lower than a year earlier.

UK truck makers, including Leyland DAF, the group's UK subsidiary, have been forced to resort to short-time working and lay-offs in order to bring production into line with lower demand.

DAF said yesterday it had been hit in particular by the downturn in the UK and a fall in the light commercial vehicles market in France. It said it appeared that the lowest point in the UK market had been reached. However, an improvement in results could not be expected before the second half of 1990.Meanwhile, it was launching a "stringent profit improvement programme."

Lex, Page 18

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Serbia's grip on its rebellious province of Kosovo weakens

The release from jail of Azem Vllasi (left), former Kosovo Communist chief, signals Serbia's failure to bring the rebellious southern province to heel. Since his arrest, the political landscape has altered greatly. Page 3

MARKETS

STERLING
New York close
$1.6445 (1.6405)
London:
$1.6405 (1.6395)
DM2.755 (2.7525)
FFr9.245 (9.235)
SFr2.385 (2.38)
Y260.5 (260.25)
£ Index 88.9 (88.8)

GOLD
New York: Comex Jun
$372.7 (371.4)
London:
$368.25 (367.25)

N SEA OIL (Argus)
Brent 15-day Jun
$17.325 (17.175)

Chief price changes yesterday: Page 19

DOLLAR
New York close
DM1.681 (1.6795)
FFr5.639 (5.634)
SFr1.4565 (1.453)
Y158.825 (158.0)
London:
DM1.68 (1.6785)
FFr5.635 (5.6325)
SFr1.4545 (1.451)
Y158.85 (158.6)
$ Index 68.4 (same)
Tokyo close: Y158.90

US lunchtime rates
Fed Funds $8\frac{3}{16}$%
3-mo Treasury Bills:
yield: 8.173%
Long Bond:
$94\frac{3}{8}$
yield: 9.043%

STOCK INDICES
FT-SE 100:
2,117.9 (+14.5)
FT Ordinary:
1,663.5 (+9.9)
FT-A All-Share:
1,049.21 (+0.6%)
New York close
DJ Ind. Av.
2,668.92 (+12.16)
S&P Comp
331.29 (+0.49)
Tokyo: Nikkei
29,699.83 (+105.03)

LONDON MONEY
3-month Interbank:
closing $15\frac{5}{16}$% ($15\frac{11}{32}$)
Liffe long gilt future:
June $77\frac{11}{32}$ ($77\frac{11}{32}$)

E Europe business without (too many) tears

Judy Dempsey plots a path through the minefields for the intrepid traveller

PEOPLE doing business for the first time in eastern Europe may be daunted by the visa check-ins, passport controls, voracious taxi drivers, the quality of hotels, waiting for a telephone line and the ubiquity of the bribe and the tip.

But do not despair! There are easy ways around some of these obstacles, but they vary from country to country.

First, Bulgaria, which is anxious to attract western investors even though it has to reform its joint venture legislation, in particular over repatriating profits. Visas can be obtained at the airport. But getting one at a Bulgarian embassy abroad cuts out queuing.

Once in the arrivals lounge, taxi drivers, who more often than not resemble hawkers, lurch forward – not to carry your bags but to buy your hard currency. Since it is illegal to take out, or bring in, any Bulgarian leva, one has little choice if the exchange offices are closed on arrival but to strike a rate for a lift to the hotel.

Of these, there are two. The Sheraton, an oasis if ever one existed in eastern Europe, and the Japanese-built Vitosha. The advantage of the former is that it is in the heart of the city, close to the National Bank, the Foreign Trade Bank and all other useful institutions.

The staff, who can offer remarkable accounts and insights about the economic and political reforms, have quickly responded to the needs of businessmen and journalists. The telex machines are modern. The Austrian-made phones have direct dialling. The restaurants are good and efficiency in Sofia cannot be faulted.

The same, however, cannot be said for the provinces. Overnight stays should be strictly limited.

If moving north to Romania, the train ride is long and flights to Bucharest are infrequent. However, a Bulgarian taxi driver, whom the hotel will arrange (make sure to tip), can take you across the border to Bucharest in about six hours. For hard currency.

THE POLISH authorities have made "phenomenal progress" in preparing the country for foreign investment over the past six months, said Mr Fred Zeder, head of the Overseas Private Investment Corporation (Opic), a US government agency, writes Christopher Bobinski in Warsaw.

Mr Zeder, in Poland for a week at the head of a mission composed of 28 US companies including American Express, Coca Cola and Levi Strauss, said yesterday that Opic had $500m worth of investment proposals in the pipeline from companies interested in going into Poland.

"The US can't afford to be out of this market," said Mr Zeder. He added, however, that western investors were still waiting for the economic stabilisation programme to take hold. "They see the traffic lights as being at yellow at the moment."

He was at pains to point out that Opic screened potential investors "to weed out those going in for a quick buck; the carpet-baggers." Opic insures investment projects as well as providing loans to private sector projects.

For those who fly on Tarom (an airline to be avoided) Bucharest's Otepeni airport is not the nightmare it used be before the December revolution when it could take at least two hours to negotiate the passport, visa and security checks and blacklist controls. Now the process takes no more than half an hour. Again, if possible, pick up a visa at an embassy. Otherwise, join the queue at the airport's visa desk.

Bucharest taxi drivers are just as spontaneous and sociable as their fellow Bulgarians in the quest for hard currency. But if staying at the Intercontintental Hotel, ask them to send out a driver to the airport. It costs about $15 and it cuts out bargaining. But the driver will still demand a tip.

Once in the hotel, things work relatively smoothly, apart from the money-changers and the prostitutes. The telex machines, though antiquated, are operated by pleasant, efficient women. There is also a fax machine. However, direct dialling to European capitals is practically impossible. Arrange for your office to call you.

To get about the city or out to the provinces, drivers can be hired, either through the hotel or directly. Pay them paid in hard cash. Remember, dollars and D-Marks go a long way, as in all east European countries. So do Kent cigarettes, whisky and coffee, which are still the fastest routes used by foreigners, and tacitly expected by Romanians, to by-pass the bureaucracy, even in the post-Ceansescu era.

One warning. Ubiquitous money-changers will often furtively exchange a wad of black market notes only to disappear before the unsuspecting visitor has had time to peel back notes which conceal useless bits of paper.

The atmosphere of business and energy in Budapest compared to the drab and corrupt climate of Bucharest is almost irresistible. This energy extends even to the taxis. Sit in the rear seats because these drivers think they are in the Grand Prix. They will also hassle you for hard currency; and somehow many of them "forget" to switch on the meter as they speed to the hotel.

Hotel rooms are at a premium as the influx of bankers and company directors continues. The Forum, on the Pest side of the Danube is a businessman's dream. The staff, from telex, fax, phone, to front desk, restaurant and newspaper shop, are always in good humour.

But if the atmosphere is just a bit too hectic, try the Gellert on the Buda side. The staff are the first to admit that it is in need of refurbishment. But given the spas – upon which the Gellert is built – the family-like atmosphere and the emigré Hungarians who stay here; it is worth the experience.

The pace of life is slower in Prague, but at least the quantity and quality of hotels have improved thanks to Austrian joint ventures and construction companies. From the Forum, to the old-fashioned Alcron (just off Wenceslas Square), to the newly refurbished, direct-dialling Palace, a stone's throw from the square, the tips are growing as doing business becomes easier.

It is, at last, becoming less of a strain working in Warsaw. As recently as two years ago, there was very little choice in hotels. The Victoria, once the home of a clutch of businessmen, and the shabby but eccentric Europejski, once the den of the press corps, have ceded supremacy through sheer neglect to the Marlott, another Austrian-financed and constructed hotel which is just a walk from the central railway station. It has everything: telex, fax, direct dialling, the FT and the International Herald Tribune on the same day and excellent restaurants.

A few extra tips:

- Take plenty of passport photos for renewal/extension of visa. Instant photo machines have yet to be discovered in certain parts of east Europe.
- Do not travel without a reservation.
- Try to have a map of the city. They are not always available.
- If sending messages back to the office via computer, bring crocodile clips, an adapter compatible with east European two-pronged plugs, and a set of screwdrivers. Most phones can be easily dismantled and connected to a computer.
- Take extra supplies of batteries, soap, shaving cream, razors, tampons, shampoo and toothpaste.
- Take a short-wave radio, a supply of ballpoint pens (they tend to disappear), film if taking a camera.
- Languages spoken: In Bulgaria – Russian and some English; in Romania – French and English in the south, German and Hungarian in the north; in Hungary, Czechoslovakia and Poland – German and English.

Romanian opposition urges postponement of elections

By Judy Dempsey

ROMANIA'S fragile road to democracy has suffered another setback with the call by opposition parties for postponement of the first free elections in four decades.

Amid sustained anti-government demonstrations, the opposition has demanded that elections due on May 20 be delayed because the ruling National Salvation Front (NSF) continues to monopolise the media and to have unfair access to public funds.

The government of President Ion Iliescu reacted last night by offering to meet opposition parties to discuss any grievances about the elections.

The anti-government demonstrations have been fuelled by a combination of frustration and criticism of the NSF, and particularly of Mr Iliescu, its leader and a candidate for the presidency. But they also reflect deeper suspicions and rising nationalism which have gained momentum since the Front declared itself a political party in January, a month after taking power after the revolution.

The suspicion among liberal intellectuals in Bucharest, in Timisoara, cradle of the revolution, and in some towns in Transylvania is that former communists are hiding behind the cloak of the NSF.

They point out that the Front has done little to dismantle the old security and appointments system; that attempts to put senior Securitate men on trial have floundered because of over-hasty preparation of prosecution cases; that the Front is reluctant to draw up comprehensive economic reforms which would open the country to much-needed foreign investment; and that it has repeatedly reversed policies, particularly on restoring cultural rights to ethnic minorities, largely for fear of losing electoral support.

The Front, which at least contains some experienced, albeit ex-communist officials, may be criticised for opportunism. But the National Peasants Party (NPP) and the National Liberal party, the two "historical" parties of the inter-war period, are inexperienced and prone to nationalism.

Eager to gain votes, particularly from the older generation, the NPP has sought to tap the country's inherent xenophobia and anti-semitic traditions.

Lithuanian demonstrators from the pro-Moscow organisation Edinstvo called for the direct vote at a gathering in Lenin Square, Vilnius, yesterday. The organisation met to hear a speech by Lithuanian Communist Party leader Mikolas Burokiavichus

New Russian hardline party 'threat to Gorbachev reforms'

By Quentin Peel in Moscow

A NEW neo-Stalinist Russian Communist Party, strongly backed by Russian nationalists, is the greatest threat to the survival of Mr Mikhail Gorbachev's reforms in the Soviet Union, according to a leading member of the Communist Party's reform wing.

Yet neither President Gorbachev, nor the party's central committee, has taken any action to denounce the open defiance from the founders of the fledgling Russian party.

Mr Vyacheslav Shostakovsky, rector of the Moscow Higher Party School and a key member of the co-ordinating committee of the Democratic Platform which groups radical reformers in the party, said the creation of a Russian Communist Party in Leningrad last month meant the ruling party had already effectively split.

"There is a real split, not just the idea of a split, which the Democratic Platform proposed," he said. "In Russia, we have a party of neo-Stalinism."

He said the new party – whose foundations were laid by 800 delegates from factories, the Red Army, and the official trade unions – was backed by the conservative United Workers' Front, and Pamyat, the anti-Semitic, Russian nationalist organisation.

Mr Shostakovsky said the ruling Communist Party of the Soviet Union was now effectively split into four factions – the Russian Communists, "loyal Marxist-Leninists," the Democratic Platform, and a group of liberal democrats "who try to appease forces which it is difficult to find peace with."

The Democratic Platform members have already been denounced in an open letter from the central committee for "placing themselves outside the party by rejecting the Soviet nation's Socialist choice." However a majority has decided to try to stay in the party until its crucial 28th Congress in July, while recognising that a split is inevitable.

The group is organising a national registration of all party members who support it, although Mr Shostakovsky said they would be outnumbered at the congress.

A minority in the Democratic Platform, led by Mr Yuri Afanasyev and Mr Nikolai Trafkin, leading members of the Inter-Regional Group in the Congress of People's Deputies, has already broken away to form a new party called Democratic Russia.

Mr Shostakovsky believed Mr Gorbachev might be tempted to seek the support of the conservatives and nationalists in the Russian Communist Party group. "That is very dangerous," he said. "I think that at heart he is still reformist. If he wants to see his reforms working, he should understand that the most dangerous threat comes from that side.

"They are trying to speculate on several of the most acute problems of our illness. This conversion of our economy into a market economy, which is supposed to be decisive and fast, will be a target of their ideological work. These ideas are not popular in the depths of Russia.

"They will also try to exploit the imperial mentality which still exists in Russia. The Lithuanian situation gives them good food for such speculation. They know their seeds are planted in good Russian black earth, and that has always proved fertile ground."

Mr Shostakovsky, who is not just regarded as a radical but respected as a thoughtful analyst of the party, said he had been urged to resign by the Moscow city party control committee. But he believed it was essential to stay.

EUROPEAN NEWS

Serbia's grip on Kosovo begins to weaken

Ethnic Albanians are now united in demands for democracy, writes Laura Silber

THE RELEASE from prison and the subsequent dropping of all charges against Mr Azem Vllasi, former head of the Communist party in Kosovo, marks the end of an era in Serbia's turbulent southern province, where 90 per cent of the population are ethnic Albanians.

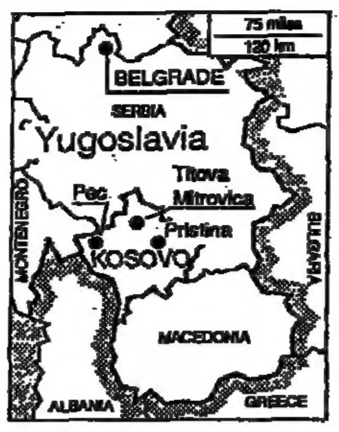
Since Mr Vllasi's arrest 14 months ago, the political landscape has altered radically: the authority of Kosovo's Communist party has crumbled, and the party membership, now made up mostly of Kosovo Serbs, has dwindled to around 80,000.

This is not surprising, since the Kosovo party had become a mouthpiece for Serbian policies after constitutional changes spearheaded by Mr Slobodan Milosevic, the President of Serbia, effectively ended the province's autonomy from Serbia.

To replace Mr Vllasi, Serbia imposed as party leader Mr Rahman Morina, an unpopular former police chief.

During Mr Morina's tenure, the Kosovo Communist party loyally echoed Serbian policies in suppressing Albanian attempts to increase their autonomy and in implementing a policy of recolonising Kosovo by guaranteeing Serbs employment and housing. The two factors led to anti-government riots last year in which 30 Albanians were killed and hundreds arrested.

The freeing of former Kosovo Communist chief Azem Vllasi (left) marks the failure of attempts by Serbian strongman Slobodan Milosevic to subjugate the rebellious southern province where the majority ethnic Albanians resent Serbian hegemony



At the same time, the complete loss of legitimacy by the Kosovo Communist party from among the 1.7m Albanians has triggered the rise of mass opposition movements which ventilate the Albanians' frustrated political aspirations.

The unofficial opposition groups in Kosovo now range from the nationalist Democratic League of Kosovo (DLK) which claims more than 350,000 members, to the Social Democrats while young Albanian have deserted the Communist Youth Organisation for an Independent Youth Parliament, which already claims 150,000 members.

This political flux further increased last week following the release from prison of Mr Adem Demaqi, Kosovo's best known political prisoner who has spent more than 27 years behind bars.

An unrepentant admirer of Mr Enver Hohxa, the founder of the ruling Albanian Communist party, Mr Demaqi is likened by Kosovo's radical students to an Albanian Nelson Mandela.

The combination of these circumstances, fuelled by resentment of Serbian policy, has united the ethnic Albanian population who are now rallying to opposition demands for democratic multi-party elections in Kosovo.

Indeed, the need for unity against the perceived Serbian aggressor has even healed the family feuds which have long bedevilled Albanian village life. "Besa" – blood feuds which involved 1,200 families last year and led to 100 deaths – are giving way to reconciliation as crowds gather in Kosovo villages to make peace and drop the "Besa".

Outside the province, the elections last month in the western Yugoslav republics of Slovenia and Croatia have raised the pressure on Serbia's communist rulers to relax their hand in Kosovo by scheduling free elections. throughout Serbia and its provinces. The growing consensus is that the longer Serbia postpones elections, the more organised the Albanian opposition will become.

This shift in the political climate almost certainly led Serbia into recommending that the Yugoslav state presidency drop emergency measures in Kosovo and release Mr Vllasi and 13 other ethnic Albanians.

Yet despite Serbia's apparent concession and the growing Albanian political activity, the Kosovo conundrum remains as insoluble as ever.

Mr Milosevic, Serbia's unchallenged leader since 1987, built his career on pledges to reintegrate Kosovo into Serbia, quash alleged Albanian secessionism and restore the lot of Kosovo's 200,000 Serbs. And Serbia's takeover of Kosovo's police and judiciary in the last two years show that Albanian hopes of a restoration of autonomy are remote.

But Serbia's inability to control Kosovo and Mr Vllasi's claims that his arrest was a Serbian political plot ordered by Mr Milosevic indicate that Mr Milosevic's political calculations failed. Indeed, Mr Vllasi's sudden release also seems aimed at diverting the growing chorus of protest from international human rights groups and improving Serbia's stock abroad when its ailing economy is desperate for foreign investment.

Norwegian strike averted

THE Norwegian Government yesterday reached a compromise with public sector unions and averted a strike called for today which would have crippled public transport, telecommunications, health services and electricity supplies, writes Karen Fossli in Oslo.

The Government agreed to appoint a commission to study how to achieve parity on the number of working hours for all public sector workers and to drop the issue until next year's wage negotiations.

May Day marchers shot in Istanbul

At least two people were shot and injured in Istanbul yesterday as security forces cracked down on a banned May Day demonstration. About 1,000 people were arrested as university students demonstrated across the country, writes Jim Bodgener in Istanbul.

Most of the clashes were in the streets around Istanbul's central Taksim Square, traditional focus of May Day protests.

Last year a youth was shot dead during an illegal May Day rally near Taksim Square, and 37 people died in a clash in 1977 when security forces fired on demonstrators.

Law of the bullet in Italian local ballot

By John Wyles in Rome

THE DEATH toll in the mafia onslaught against candidates in Italy's local elections in Campania and Calabria has climbed to nine with the public assassination on Monday evening of a building constructor seeking election at Pomigliano d'Arco, outside Naples.

The motive for singling out Mr Vincenzo Agrillo, a candidate for the Social Democratic Party, is just as mysterious as it was for the other eight victims who have fallen to assassins' bullets since early March. Some have been prominent in their localities, others less so; some, such as Mr Vincenzo Reitano, murdered in his hospital bed where he was recovering from a previous attack, had been taking prominent anti-mafia positions, while others like Mr Agrillo have been virtual political novices.

Investigators yesterday were wondering how much significance to attach to the words screamed at Mr Agrillo by the young killer at the moment of his execution: "Now do you understand?" Builders are frequent targets for mafia pressure and subordination in the south because of organised crime's determination to grasp public building contracts.

The political outcome of this series of murders has been to put the Government's handling of the mafia problem at the centre of the campaign for the local elections next Sunday and Monday. As a result, most attention is now focusing on Mr Antonio Gava, the Interior Minister, a powerful Neapolitan politician whose determination to tackle organised crime has been questioned by the Communist Party.

The Socialists and the Christian Democrats have rallied behind Mr Gava with varying degrees of enthusiasm, but the Republican Party, a junior member of the five-party coalition, is openly critical of his alleged failure to respond adequately to the mafia challenge. Mr Giorgio La Malfa, the Republican leader, called on the Government in an interview yesterday to "restore serenity to the country."

An important beneficiary of the recent killings could be the Lega Lombarda, a regional party of growing strength in Lombardy which is violently anti-southern and critical of southern representation in national Government. The party's leaflets inveigh against the nine native-born sons of Campania in the cabinet, only one less than the total of ministers from the centre and north of Italy. In addition, nine junior ministers are from Naples alone.

Market way sought to a greener world

PROPOSALS for the west to provide aid and technology to clean up eastern Europe are on the agenda of a meeting of environment ministers from 35 industrialised countries starting in Norway next week.

The conference, in Bergen, will seek to agree economic measures to reduce pollution and avert global warming – the greenhouse effect.

It is a follow-up to the report in 1987 of the UN World Commission on Environment and Development chaired by Mrs Gro Harlem Brundtland, who was then Prime Minister of Norway.

The report produced the much quoted, but hazy concept of sustainable development, conceived as a way of permitting economic growth without destroying the environment and exhausting natural resources.

John Hunt previews a 35-nation conference that will discuss economic measures to reduce pollution

The conference is being held under the aegis of the UN Economic Commission for Europe (ECE) which could provide a forum for future east-west environmental co-operation.

Representatives of industry, trade unions, "green" organisations, scientists and youth groups will have a direct say at Bergen – the first time this has happened at a conference of environmental ministers. The groups meet next week to draw up their own action programmes and ministers from the US, Canada and east and west Europe will take these into account in their final declaration the following week.

The Brundtland report provoked discussion of a range of mechanisms to promote sustainable development. These include carbon taxes on fossil fuels to reduce emissions of carbon dioxide – the main greenhouse gas – and incentives for energy saving.

The economic debate at Bergen is intended to strike a balance beween free market solutions and the use of regulation to control pollution. But the International Chamber of Commerce (ICC), representing business and industry at the conference, says that solutions should be "within the framework of the market economy" and this theme will be the centre of discussions.

Proposals in the draft ministerial declaration include a tax on environmentally damaging activities and products and elimination of subsidies to resource-intensive or environmentally-damaging activities.

Governments will be urged to improve the efficiency of public transport and reduce motor vehicle exhaust emissions.

Tradeable pollution permits, already used in the US, may be adopted by other countries at the conference. The permits allow industrial emissions up to a certain level. "Clean" companies sell their permits to "dirty" companies, thus providing a financial incentive to reduce pollution.

"More has to be done," says Mrs Brundtland who will open the conference. "There is no country that could not make further improvements. I am nervous that time is running out."

Recent US environment policy presents a problem for the conference. President George Bush has said that economic measures to deal with global warming must await firm scientific confirmation that such a threat exists. Environmentalists and some governments see this as foot-dragging to protect the US economy from the possibility of energy taxes and other costly environmental measures.

The US will have difficult agreeing the "precautionary principle" in the Bergen draft ministerial declaration. This states: "Environmental measures must anticipate, prevent and attack the causes of environmental degredation even if final scientific proof is lacking. Doubt should not be used as a reason for postponing measures to prevent environmental degredation."

There will also be disagreement over how tough the conference should be in adopting targets to reduce carbon dioxide emissions. There are three options on the agenda - stabilisation of emissions as soon as possible, stabilisation by the year 2,000, looking at the possibility of reducing emissions by 20 per cent by 2,005.

Britain would prefer the first and weakest option. But it is expected that a compromise will be worked out by the end of the conference.

There could also be contention over the development of nuclear energy as a non-polluting fuel. The ICC is proposing more investment in nuclear energy, as well as other alternative energy sources, to reduce carbon dioxide. This means a clash with the environmental organisations which are opposed to the nuclear option.

There will also be controversy over a Norwegian proposal that governments publish detailed annual reports on their environmental performance and submit them to the ECE. There are suggestions for national "round tables" where industry, the unions and environmentalists meet government ministers to discuss environment policy.

The British Government is likely to find such exercises in openness too extreme for its taste.

Mr Tom Burke, general secretary for the "green" groups at Bergen, says: "We have been warning governments that there is a great deal at stake at the conference. If they do not agree on serious proposals how can they expect the rest of the world to take the environment seriously?"

Agreement at Bergen is needed to maintain the impetus of international negotiations to combat global warming. The negotiations will continue at the second world climate conference in November and culminate at the World Environment Conference in Brazil in 1992.

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Thousands protest against Korean strike crackdown

By John Ridding in Seoul

TENS of thousands of South Korean workers and students protested yesterday at the Government's crackdown on labour disputes, paralysing most factories in Ulsan, the base of South Korea's biggest exporter, Hyundai.

Workers at Munhwa Broadcasting company, the second largest television and radio network, went out on strike following a police raid late on Monday night to end an industrial dispute at the Korea Broadcasting system.

Clashes between workers and riot police continued for a fourth day in Ulsan in the south east, where police stormed strikers' positions at Korea's largest shipbuilder on Saturday.

However, a general strike called for May Day by Chonnohyop, a radical union organisation, failed to gather widespread support and analysts said that the scale of unrest yesterday was much less than had been expected.

South Korea's stock market, which has fallen sharply over the past two weeks also launched a strong recovery on the announcement of stimulatory measures by the Government.

An emergency meeting of cabinet ministers decided that conglomerates – and insurance and securities companies in particular – would be forced to sell surplus land in an attempt to curb real estate speculation. The aim is to stop the flow of funds from the market into speculative purchases of land.

The market index rose by about 4 per cent, breaching the psychologically important 700-point level which it fell through on Monday. However, analysts said that the new measures would be difficult to enforce and that underlying investor sentiment remained poor.

Mr Choe Byung Ul, South Korea's Information Minister, said that "the Government's use of force was inevitable. We cannot tolerate the situation which has been causing a serious impact on our economy and industry."

Opposition parties denounced the raid at the broadcasting station. A spokesman for the Party for Peace and Democracy said it was the worst choice by the Government and cannot be tolerated.

Jardine's enters the lists against HK share watchdog

John Elliott explains why one of the colony's most august hongs has entered the debate on regulation

THE most august and proud of the colony's "hongs" or trading companies - Jardine Matheson - has been busy politicking by fax from London against Hong Kong's less than popular Securities and Futures Commission, which celebrated its first anniversary very quietly yesterday.

This is a change of tack for Mr Henry Keswick, chairman of the Jardine group, who is more well known in British political circles for his relentless (but so far unsuccessful) campaign to have a politician appointed as the colony's governor to replace the present incumbent, Sir David Wilson, a Foreign Office diplomat.

Now one of Mr Keswick's London-based directors, Mr Rodney Leach, has written faxed letters and memos to senior people in Hong Kong. His un-named target has been the overall markets' watchdog organisation being built up by Mr Robert Owen, an ex diplomat and banker who is the SFC's first and highly controversial chairman.

Mr Leach has escalated a debate which has built up in the past year as the SFC has been increasingly accused of becoming too heavily bureaucratic and pernickety in its functioning. It has also been accused of duplicating the self-regulation which the stock exchange itself has been doing effectively since its was revamped at the end of 1988.

Mr David Nendick, Hong Kong's Monetary Secretary, resents the campaign and defends the regulators. "Memories are short about the shortcomings of Hong Kong's markets in terms of abuses and inadequate cash at the time of the 1987 world markets' crash," he says, referring to the event which closed the colony's markets for four days and led to wholesale revamping of both the stock and futures exchanges and, a year ago yesterday, to the creation of the SFC.

Mr Leach says Hong Kong is "over-run by regulators whose activities are destined to drive business away". He has urged that the SFC be cut back to prevent Hong Kong being consigned "to the position of a complicated and not very highly regarded little financial backwater". He also says the government should make a "u-turn" and dismantle "the bulk of the new proposed security regulation" on takeover, listing and other arrangements.

This has started a storm at just the time that the SFC's annual HK$165m budget is being approved. The colony's heavily-lobbied Legislative Council demanded cuts a month ago and, as a result, the government has just agreed a new compromise budget which will be announced soon.

The SFC is only to be allowed to increase its staff from an existing level of 229 (which many of the legislators consider more than adequate) to 241, instead of the 260 it wants. It is also to pay back half a HK$140m government loan and is to start paying interest on the balance.

This is an initial victory for a growing number of people who are complaining of over-regulation and bureaucratic empire building. The SFC is the usual and most fashionable target, mainly because of Mr Owen's unrelenting personal style, and alleged overlaps of regulatory functions with the stock exchange.

But the Stock Exchange also draws complaints, especially over its listing department's activities. "We have to indulge in highly expensive and insultingly detailed correspondence. The place is a shambles," says one banker. "The staff even have to get their lawyers in to interpret their own listing rules," says another.

Mr Francis Yuen, an ex Citicorp banker who is chief executive of the stock exchange is flexible and says: "I'm happy to listen on procedural things", adding that the four-month old listing rules will be reviewed soon.

He says he is a committed de-regulator. "The tide in world markets is changing. The emphasis now is not on regulation based on some academic theory, but on what investors, issuers and stock exchange members want. This will be our future direction - to have more consultation and listen more to the market".

Mr Owen challenges people to be specific about their allegations and will only acknowledge genuine complaints on market surveillance of things like irregular share price movements. "We cannot jettison the basic framework of a modern regulatory system if Hong Kong is to remain a major financial centre," he says.

But Hong Kong basically does not like the idea of any real regulation. With most companies under family control, it will also be very difficult to operate proposed new disclosure and insider trading regulations without driving away the local Chinese companies who provide the market with its liquidity.

Jardine, however, is on another tack. Along with at least 70 other listed companies, it has moved its domicile offshore to Bermuda to escape the risk of interference from Communist leaders and bureaucrats after Hong Kong reverts to Chinese sovereignty in 1997.

It therefore resents being controlled by Mr Owen through its Hong Kong listings and it was specially angry when it was not allowed last year to buy back shares in Mandarin Oriental, its hotel subsidiary. The fact that share buy-backs are soon to be allowed does not assuage the Jardine anger. "Its a year too late now - the price has gone up," is the basic Jardine executive response.

But Mr Owen is not only a British ogre in the eyes of Jardine. He is also the forerunner of a possibly much more fearsome Communist regulator in the future who might find so far undiscovered ways of tightening a lasso round the Jardine wealth.

There has even been speculation that Jardine, which started the Bermuda domicile trend six years ago, would like to move its primary listings away from Hong Kong. Conspiracy theorists wonder whether over-regulation might be cited as justification for such a controversial move.

Senior Jardine executives in Hong Kong are now keen to play down the role of the faxes and they even try to deny there is any campaign. But that is not how it is being seen. "Like everything Jardine does, the campaign is being waged with a great deal of panache and rugby forward subtlety," says one banker.

Bank of Japan shakes up its organisation

THE Bank of Japan will make radical changes in its organisation from May 28 in the face of big changes in the financial and economic environment in Japan and abroad, it said in a statement, Reuter reports from Tokyo.

The change will reduce the number of the bank's offices and departments at the headquarters to 16 from 18, and an office will be set up in Washington. The bank already has five overseas offices – in New York, London, Paris, Frankfurt and Hong Kong.

Money and capital markets will be monitored by a Market Operations Division, to be set up within a new Credit and Market Management Department, a bank spokesman said. A Bank Relations Division and Capital Markets Division will monitor activities of financial institutions at home and abroad.

The overseas research function of the present Research and Statistics Department will be transferred to a reorganised International Department which will also be in charge of currency market operations, international finances and international affairs.

"The change is intended to strengthen our function as a central bank amid dramatic changes in the financial and economic environment at home and abroad," the bank said.

It said the moves were also aimed at better price stability, a safe and sound financial system, and more efficient ways of doing business.

S Korea and Japan settle differences

By John Ridding

SOUTH KOREA and Japan have resolved several disputes about the rights of Koreans living in Japan, clearing the way for a visit to Tokyo by President Roh Tae Woo of South Korea.

Mr Choi Ho Joong, South Korea's Foreign Minister and Mr Taro Nakayama, his Japanese counterpart, announced on Monday night that third-generation Koreans living in Japan would automatically be guaranteed permanent resident status. First and second generation were granted similar status under a treaty in 1965, but the fate of their offspring had remained unresolved.

The agreement removes one of the principal difficulties in bilateral relations and means that President Roh's visit is expected to go ahead, probably at the end of the month.

The foreign ministers also narrowed differences on other issues. They agreed that Koreans would be exempted from fingerprint registration and that validity of re-entry visas for Koreans would be extended from two years to four.

In addition, they agreed that Koreans would be deported only if they commit a crime against the state rather than for receiving a seven-year jail sentence, as at present.

The status of the 680,000 Koreans living in Japan is a sensitive issue in South Korea. Many are children or grandchildren of Koreans who were conscripted as labourers during the Second World War.

Small success for Colombo

By Mervyn De Silva in Colombo

ECONOMIC stabilisation measures introduced by Sri Lanka on the advice of the International Monetary Fund and the World Bank, coupled with a reduction in violence, have resulted in a modest recovery in the country's balance of payments.

In a central bank report released this week the improvement is described as "the most encouraging feature" in an otherwise mixed picture.

Gross domestic product in 1989 increased by 2.3 per cent down from 2.7 per cent in 1988. But reserves were up and the trade deficit down.

Gross reserves, SDR385m (£304m) in June rose to SDR547m in December while the trade deficit has dropped from SDR564m in 1988 to SDR521m last year.

Export income increased by 11 per cent, the bank said, while imports cost only 5 per cent more than in the previous year. The terms of trade however remained unfavourable. The export price index showed an 11 per cent rise whereas average import prices went up by 18 per cent.

Considering the widespread violence from Tamil separatists and Sinhalese extremists this performance was "creditable" said a top central bank official.

Thailand urged to aid Burmese refugees

By Roger Matthews in Bangkok

WORSENING repression by the military regime in Burma has set off an international effort to persuade Thailand to ease the plight of an estimated 40,000 Burmese refugees, mainly ethnic minorities and students, who have over the past two years been forced to flee the country.

Fears that the refugee problem will grow are also increasing with reports from Rangoon of sickness spreading among the hundreds of thousands who have in the past few months been driven out of the capital and other large cities. They are now struggling to exist in satellite shanty towns, often without proper shelter, water or sanitation.

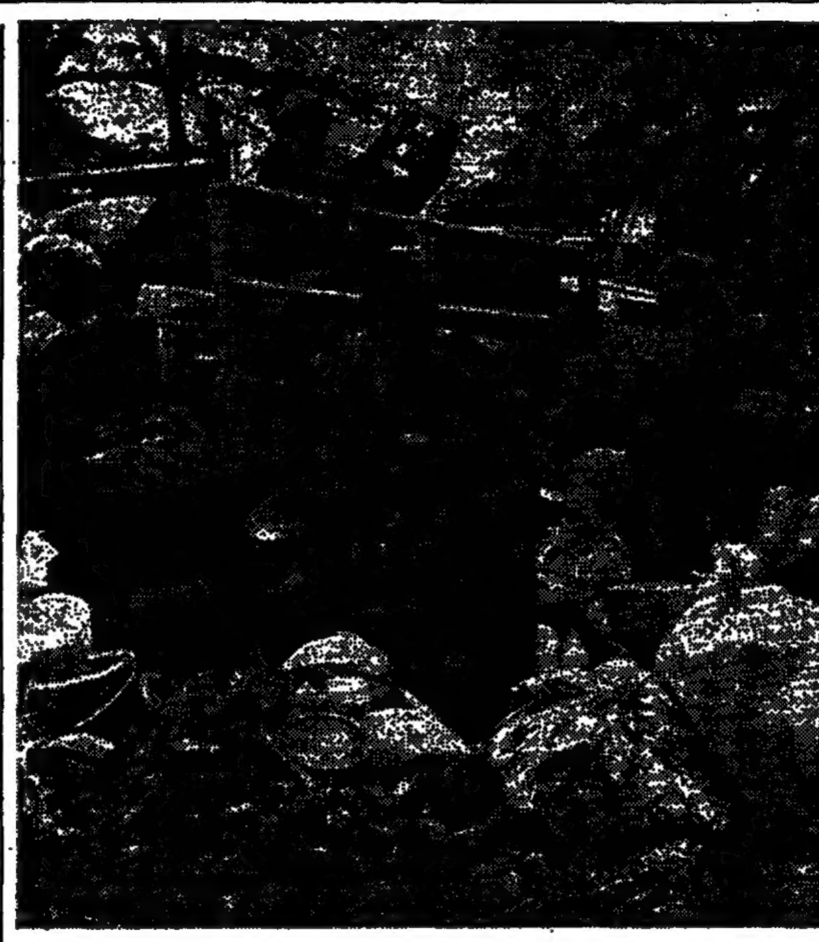
The US Committee for Refugees is seeking talks with the government in Bangkok this week to press a number of demands. As a first step it is urging Thailand to stop forcing refugees back across the border. More than 3,000 people are said to have been repatriated against their will. Most are Karens who have fled an intensified campaign by the Burmese army.

Mr Court Robinson, a spokesman for the committee, described the Burmese regime as "one of the most vicious in the world today". He hoped Thailand would agree to provide temporary asylum for the refugees in secure areas near the border and this would lead to international financial and diplomatic support for them.

Western diplomats have accused the Burmese regime of ignoring any humanitarian considerations in their forced resettlement of hundreds of thousands of people from Rangoon and Mandalay. Large areas of simple housing had been bulldozed and residents loaded onto army trucks and simply dumped on open ground, sometimes 100 miles from their former homes.

The State Law and Order Restoration Committee has admitted that 50,000 families have so far been moved, but diplomats think the figure is far higher.

Diplomats said there was mounting anger and bitterness among the people, but also a sense of helplessness in the face of a regime which does not hesitate to arrest, imprison or shoot protesters. They added that there was, predictably, little evidence of the planned general election to be held on May 27.



Liberian refugees unload their belongings after they had fled from fighting between rebels and government forces into neighbouring Guinea. President Samuel Doe is facing a tough fight as rebels advance closer to Monrovia, the capital, Reuter reports. Most Americans and Europeans have fled his West African country and diplomats believe the conflict is about to intensify. The rebels, mostly from the Gio and Mano tribes, are several hundred strong and well armed. Travellers say they have blocked the main road to Nimba County, northeast Liberia, and virtually split the country in two. Some reports put them close to the port of Buchanan, 75 miles from Monrovia.

Israel plans massive borrowing to finance wave of immigration

By Hugh Carnegy in Jerusalem

THE Bank of Israel said yesterday it estimated that a wave of immigration by Soviet Jews will require additional Government spending of nearly Shk7bn (£2.13bn) over the next three years, more than half of which would have to be covered by foreign and domestic borrowing.

In a special report, the central bank urged the Government to trim civilian spending and reduce defence spending "to a substantial extent" to help accommodate the costs of immigrant absorption and allow for a significant investment in infrastructure demanded by the influx.

At present, defence expenditure accounts for about 20 per cent of the annual budget, set at Shk64 bn for fiscal 1990-91. Debt servicing takes up a further third.

There is concern among economists about the short-term costs of absorbing the flow of Soviet Jews, which the Bank of Israel estimates will total more than 250,000 by the end of 1992. Officials say immigration so far this year has already reached some 30,000, the vast majority from the Soviet Union.

The bank's extra borrowing projections, based on 1989 prices, would equal 1 per cent of gross national product in 1990, 2 per cent next year and 1.8 per cent in 1992. Israel's outstanding debt already totals about 150 per cent of GNP.

The bank said the extra borrowing could be absorbed if other spending was kept under control. It said government involvement in immigrant absorption should be kept to a minimum and recommended a series of measures to encourage private sector expansion instead. These included reducing corporate taxes, employers' contributions to income tax and duties on productive imports and improving terms for investment in residential building.

The bank also advises importing inputs – including labour – for the extra housing construction required in the short term to avoid creating excess capacity in the long term.

Jewish settlers who moved into a church-owned hospice in the Christian Quarter of Jerusalem's Old City, sparking angry protests, said yesterday they had complied with a Supreme Court order that most of them should vacate the building.

They said 20 of the group would remain to guard and maintain the building – as allowed by the court – until a final settlement of the case was made. The Greek Orthodox Church, which owns the hospice, has challenged the right of its Armenian tenant to sell a lease to a Panamanian-registered front company which subsequently let the building to the settlers. The Israeli Government helped finance the move, the first time since Israel captured the Old City in 1967 that Jews had moved into the Christian Quarter.

Meanwhile, an Israeli court sentenced Rabbi Moshe Levinger, a militant Jewish settler in the occupied West Bank, to five months in jail for shooting dead an Arab shoe seller in Hebron in 1988 after his car was stoned.

Mubarak presides over effort to close Arab ranks

By Tony Walker, recently in Damascus

WHEN President Hosni Mubarak of Egypt arrives in Damascus today for a brief visit it will be an occasion of more than usual significance.

Not only will this be the first visit by an Egyptian leader to the Syrian capital since 1977, it also heralds renewed efforts to close Arab ranks in preparation for the first full-scale Arab summit in nearly 10 years.

Heading Mr Mubarak's priorities will almost certainly be an attempt to persuade Mr Hafez al-Assad, Syria's President, to co-operate in moves to bring about a reconciliation with his bitter rival, President Saddam Hussein of Iraq. For an Egypt anxious to reassert its role in the Arab World after its readmission to the Arab League last year, a modicum of civility between Damascus and Baghdad is an important goal.

Another of Mr Mubarak's tasks will be to persuade Mr Assad to tone down his fierce antagonism towards Mr Yassir Arafat, the chairman of the Palestine Liberation Organisation. He is certain to argue that, with the Arab world facing grave threats of a new confrontation with Israel over the Jewish immigration issue, it is imperative that regional states try to bury their differences.

Arab unity, Mr Mubarak is likely to say, would increase pressure on Israel at a time when the Bush administration is showing clear signs of frustration over Israeli obstructionism on the peace issue. Relations between Israel and its guardian superpower have not been quite so difficult for some years.

The Egyptian leader's mission to Damascus is well timed. Syria has, in the past nine months, emerged from a period of isolation in the Arab world caused partly by its alliance with non-Arab Iran during the Gulf war.

Syrian confidence will have been buoyed by the positive reaction in the US to its conspicuous role in securing the release of two American hostages. Mr Assad's visit to Moscow at the weekend for what were, by all accounts, friendly discussions with Mr Gorbachev, will also have added to a new sense of well-being in Damascus.

But whether the Syrian President will agree to engage in meaningful fence-mending with his Iraqi counterpart, and with Mr Arafat, is quite another matter.

While Mr Assad has issued several spirited calls recently for a closing of Arab ranks, most notably in a long speech on March 9, there is no real sign of the bitter enmity between Damascus and Baghdad being dissipated.

On the contrary: this week, Mr Latif Nassif al-Jassem, Iraq's Information Minister, gave voice to some of the harshest ever public criticism of Syria. Asked at a news conference in Baghdad about the possible revival of the Arab eastern front to Israel, Mr Jassem said: "If the revival of the eastern front means Syria, we say we don't trust Hafez al-Assad and any co-operation with him is a loss because he is a liar."

The Iraqi official's remarks follow the release in March of the text of a letter by President Saddam Hussein to the speaker of the Jordanian parliament in which he set out impossible conditions for a reconciliation with Syria.

In response to a Jordanian parliamentary resolution calling for a rapprochement, Mr Hussein said: "Assad has to apologise...for his positions (namely support for Iran in the Gulf war) which damaged the Arab nation, to show us that he is sincere in changing and ready to go in harmony with the nation's march."

As Mr Assad is not in the habit of apologising for anything, reconciliation on these terms seems highly unlikely. Syrian officials are scarcely less scathing in their remarks about their Baathist rival in Baghdad.

An official close to Mr Assad told the Financial Times that Mr Hussein was "like the son of the devil". "You (the West) create something," he added. "You try to control it, but then it is too late."

It is clear, then, that Mr Mubarak, in his role as a conciliator, has many layers of suspicion and dislike to clear away in his efforts to facilitate an Arab unity summit. Chances at this stage of such a gathering being held in Baghdad in line with calls, by Mr Arafat and King Hussein, seem slim.

That is, unless Egypt's leader can perform something of a miracle and persuade Presidents Assad and Hussein to put aside their differences.

ANC and Pretoria signal desire for progress on eve of talks

Impatient optimism surrounds historic negotiations between South Africa's main adversaries, reports **Patti Waldmeir**

ON THE eve of historic talks in Cape Town today between the South African Government and the African National Congress, spokesmen for both sides have professed a willingness to do business with one other – and an eagerness to reach agreement rapidly.

Mr Pik Botha, the South African Foreign Minister, said in an interview yesterday: "If we allow the momentum that has been created to lose its impetus, that will be bad. We've got to move quickly... to avoid extremists both of the left and right getting out of hand."

Mr Thabo Mbeki, a member of the 11-person ANC delegation that will sit across the table from President F W de Klerk, Mr Botha and other members of the Government this afternoon, said he was optimistic that the first round of talks, due to end on Friday, would succeed. "We are dealing with people who are open to reason."

This is the first time South Africa's two main adversaries have met formally – they will do so at Groote Schuur, an historic Dutch-style mansion in the grounds of the President's official residence – to plot their country's future.

Only nine months ago, such a meeting would have been unthinkable. Three of the ANC delegates – including Mr Nelson Mandela, its leader – were serving life prison sentences for political offences. Several others had been in exile for more than a quarter of a century. The ANC itself was banned, its members subjected to detention or worse by South African security forces.

However, Mr Botha, in characteristically blunt style, drew his Government's line in the process of negotiating a political system to replace apartheid: "You will not resolve the problems of this country by simple majoritarian tyranny."

He made clear that the Government saw the talks as crucial to tackling violence which has convulsed black townships since the unbanning of the ANC on February 2, and the threat that right-wing white vigilantes will mount their own "armed struggle" against blacks.

In the larger scheme of creating a new South Africa, the talks – even if they are successful – will represent only a first step. They are at best talks about talks, pre-negotiations designed to remove obstacles to detailed discussion of a new constitution.

On its side, the ANC is demanding the release of what it terms political prisoners, the promise of immunity from prosecution for returning ANC exiles, an end to the four-year state of emergency, the repeal of other "repressive legislation", and the withdrawal of troops from black townships.

The Government, for its part, is insisting that the ANC end its commitment to armed struggle. Pretoria has embarked on political reform "at considerable risk to ourselves and with the loss of political backing from our supporters," Mr Botha explained.

"And their reaction is that the armed struggle must continue. Armed struggle against what?"

He suggested that the Government was willing to do a deal with the ANC on political prisoners: of 540 identified by the ANC, 70 have been released; in 200 or so more cases, Pretoria disputes the political motivation of the crime. It ought to be possible to link the release of these prisoners with an amnesty for security force members who carried out politically-motivated murders and torture on behalf of Pretoria.

But progress on this and other outstanding issues – especially repealing repealing emergency powers which allow large-scale arrests and detentions and other restrictive measures – seems likely to depend on whether the ANC will amend its rhetoric of armed struggle.

The armed struggle itself – as waged by *Umkhonto we Sizwe* (Spear of the Nation), the ANC military wing – has been notably unsuccessful, with relatively few incidents claimed by Umkhonto in recent months. But the rhetoric of struggle seems to be inflaming passions in black townships; and the right-wing has seized on it as justification for armed action by whites.

Mr Mbeki, head of the organisation's international department, insisted that the ANC would not unilaterally suspend the armed struggle. It was willing to negotiate a ceasefire with the Government, but only after its other demands had been met. If the ANC sticks to this position it seems likely little will be achieved.

If, on the other hand, Pretoria can win some concession from the ANC on this issue – agreement, perhaps, to stop preaching armed resistance so aggressively – an accord in principle on other matters ought to be possible.

Ethiopian leader admits setbacks

THE Ethiopian President yesterday admitted that his regime had suffered severe setbacks in the civil war and lamented that popular support for his government's cause was sagging, Reuter reports from Addis Ababa.

"The mood of the people is no longer as militant as it once was and the enemies of the country are cashing in... in their bid to break up the country," Mr Mengistu Haile Mariam said in a May Day speech to a rally in Addis Ababa.

The president appealed for a renewed commitment to the war against rebels in northern Ethiopia, who have gained ground steadily for the last two years.

"It is no longer a question of national unity, but rather of national survival," said Mr Mengistu, dressed in military uniform.

Red flags of the ruling Workers' Party of Ethiopia which always used to adorn official ceremonies were conspicuous by their absence.

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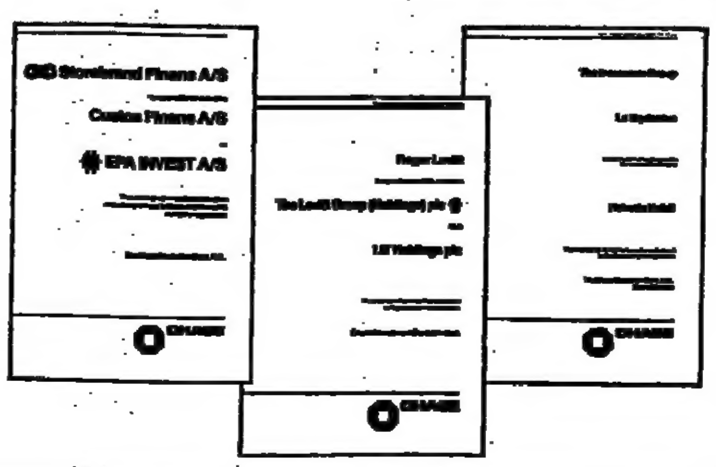

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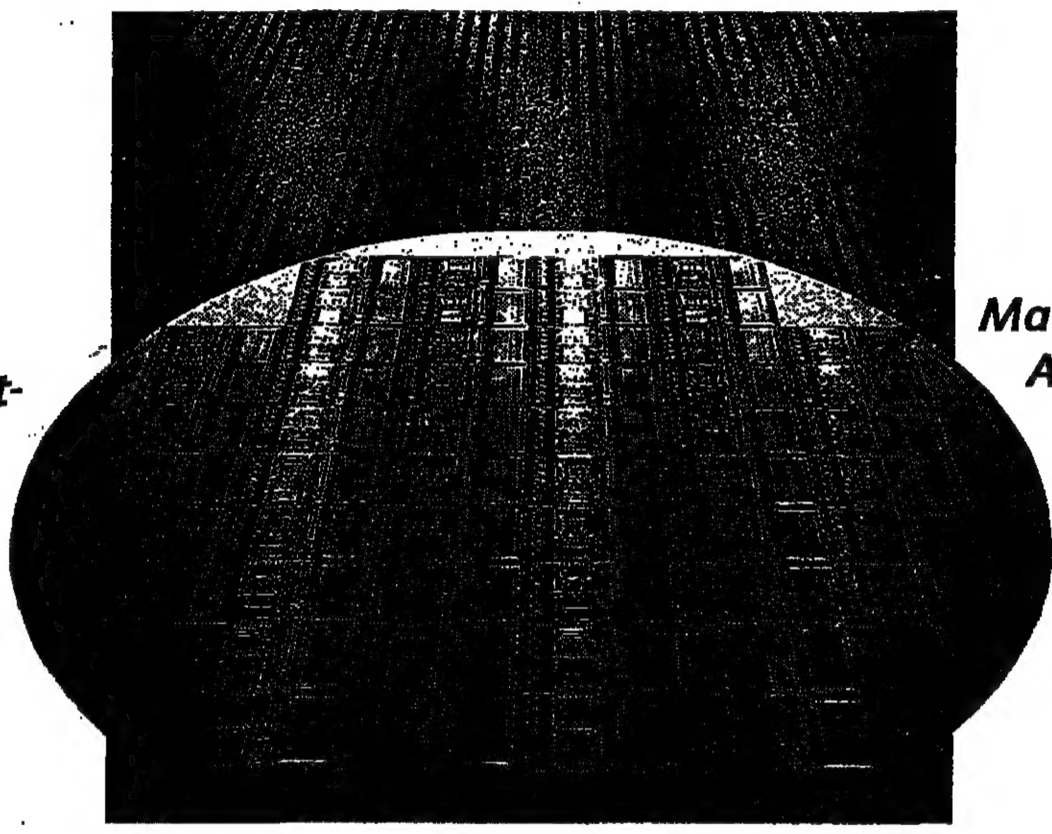

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AMERICAN NEWS

Nicaragua rides the roller-coaster as President Chamorro holds vital talks with the Contra rebels

By Tim Coone in Managua

"Central America's biggest roller-coaster" is about to arrive in Nicaragua according to an advert this week at Managua's amusement park.

It may still be small however in comparison to the bumpy ride facing the new government of President Violeta Barrios de Chamorro.

Mrs Chamorro is today scheduled to hold a crucial meeting with the head of the US-backed Contra rebels, Israel Galeano otherwise known as Commander "Franklin."

In the past week since Mrs Chamorro took office, he has been saying from his base in the mountains that he will not order his estimated 12,000 troops to disarm until the Sandinistas controlling the armed forces are dismissed, starting with General Humberto Ortega the former Defence Minister who has been temporarily designated as head of the armed forces by President Chamorro.

On Monday she said "I understand that in the case of the army, the people and the political sectors that support me want a drastic and immediate change."

She reaffirmed General Ortega as the army chief though "to assure unity and discipline within the armed forces, while the demobilisation of the Resistance is carried out, while arms held by civilians are collected and the the military apparatus is substantially reduced. General Ortega will command the army until I decide to dispense with his services, when these tasks I have given him are complied with."

Mrs Chamorro confronts resistance on this point not only from the Contras, her erstwhile allies, but also from within the ranks of the UNO alliance whose slate she headed in the March elections. She will have to hold tight to her beliefs.

Her own Vice-president Dr Virgilio Godoy leads the UNO dissidents. The division has become so deep that Dr Godoy is not even being given office space in the "Casa Presidencial", the presidential administrative offices, and is still waiting to be assigned duties by Mrs Chamorro.

President Violetta Chamorro talking yesterday about the poor state of the Nicaraguan economy left by the Sandanistas

Dr Godoy said last week before departing for a visit to Panama (which raised some eyebrows locally), that the issue is not just General Ortega but concerns the entire armed forces high command.

His hard-line position coincides with that of the Contras, and according to diplomatic sources is also being adopted in private by US diplomats. US economic aid will be vital for the survival of Mrs Chamorro's government.

Mr Jaime Bonilla, a close ally of Dr Godoy said on Monday "The Government should negotiate with the Contras to reach an understanding." He accused President Chamorro's key advisors Mr Alfredo Cesar and Mr Antonio Lacayo, of being "traitors" and of having formed a pact with the Sandinistas.

He said this had produced "a crisis within UNO which is not yet a split" although he admitted that at least two of the 14 parties in the UNO alliance had separated as a result of the conflict.

Negotiations with the Contras are meanwhile being ruled out in Mrs Chamorro's upcoming meeting with them. Dr Roberto Ferrey, her personal envoy in government dealings with the Contras, insisted this week that no negotiations were being considered.

"The agenda as I understand it is to discuss security guarantees to enable the demobilisation plan to be complied with entirely," he said. Under an unconditional agreement signed by the rebel leaders shortly before Mrs Chamorro's investiture, they agreed to disarm their troops entirely by June 10th this year.

When asked if the Contras might not eventually be considering a military showdown, despite the agreement, Dr Ferrey replied "For the moment I believe, and we have discussed this with the Resistance leaders, there is no possibility of them using military pressure to achieve (their) objectives."

As the June 10th deadline approaches this may well change. UN officials charged with overseeing the demobilisation process say that no rebels have yet handed in their arms inside Nicaragua. Many still remain outside the so-called "security zones."

Dr Ferrey's own position is somewhat ambiguous. During a meeting with the Contras last week, he told them publicly that he sympathised with their position regarding the armed forces, thereby directly contradicting Mrs Chamorro whom he represents, and sending a signal to the rebels that they have support within Mrs Chamorro's government.

If she is forced to succumb to the pressure to dispense with General Ortega, and by extension with the high command of the armed forces before the Contra demobilisation plan is completed, she will most likely face a rebellion from the Sandinistas who control the trade union and student movements as well as the military.

As one Sandinista acquaintance said "We would not then respect our side of the agreements." Commitments to be a "loyal opposition" would go by the board.

Apparently in anticipation of this, Dr Francisco Mayorga, the Central Bank president who is coming under a wave of criticism for his brusque 50 percent devaluation of the currency on the parallel market this week signalling 100 percent price rises and an explosion of wage demands from the largely Sandinista-dominated trade unions said "What happens in the next eight to ten weeks will be the result of a debacle deliberately prepared to cause damage to the image of the new Government."

He said "We do not want confrontation... we want to wipe the slate clean and look ahead. But in a climate of tension and attempts to sabotage the economic policy, it is working people who will lose out."

At the amusement park, poor children beg for money for rides on the dodgems and the big wheel. Soaring prices have made such adventures a luxury. And noone yet knows how much a ride on the roller-coaster is going to cost.

Paris faces pressure in dispute over IMF

By Stephen Fidler, Euromarkets Correspondent

FRANCE seems likely to come under pressure to make concessions to Britain over the European Bank for Reconstruction and Development to resolve their differences about relative positions in the International Monetary Fund.

The differences arise because, in making allowances to promote Japan's position in the Fund from fifth place to the second place occupied by Britain, the French would be demoted to fifth from fourth. The French Government wants Britain to give up a further shareholding in the Fund so that the two countries can share fourth place.

Separate decisions are scheduled to be made by the end of May on where the EBRD, conceived by Paris as a new institution to channel development funds into east Europe, will site its headquarters and on who will head the organisation.

The UK has suggested London – where no large international organisation is based – as the headquarters. Mr Jacques Attali, an adviser to President François Mitterrand, has been a leading contender as head of the organisation. His main opponent is Mr Onno Ruding, the former Dutch Finance Minister.

Talks over a general increase in the IMF's resources will start in Washington on Sunday when finance ministers of the Group of Seven industrialised countries meet. There is expected to be a general agreement on an increase of 50 per cent – but that agreement could be held up if the issue between Britain and France is not resolved.

The British position remains officially that it has made significant concessions in reducing its shareholding in the Fund to 6 per cent from 6.9 per cent and a further reduction would be inappropriate.

But European monetary officials say that the only practicable resolution of the differences would involve Britain accommodating France, thereby reducing its shareholding to 5.5 per cent. The French would then be forced to give ground on other issues.

Chile adapts uneasily to life without the General

Leslie Crawford monitors the coming of democracy

"I LOVED my President Pinochet," lamented a guard outside La Moneda, the presidential palace in Santiago. Since March 11, the tiled corridors of the colonial palace no longer echo to the footsteps of the General, and some of the old hands are finding it hard to adapt to these new democratic times in Chile.

The new incumbent at La Moneda, President Patricio Aylwin, as a gesture of goodwill, did not sack any of the staff he inherited from his predecessor. Nevertheless, some 50 secretaries resigned on the day he took office out of loyalty to their old boss.

They are not all that has had to be replaced. Only one fax machine was left behind at the Ministry of Finance, where the President's economic team are having to cart their own computers to work. At the Ministry of Labour, they found telephone sockets, but few phones, and bare floors where furniture once stood.

Mr Marcelo Triveli, who received the keys of La Moneda on behalf of the new government, says the French antiques, chandeliers and portraits of past presidents in the palace's ceremonial rooms are all there. But in the working offices, only the bare bones of furniture remain. No archives, no computers, no fax machines.

Mr Triveli says he cannot prove that these things were there because he entered La Moneda for the first time at the stroke of midnight that chimed the end of General Augusto Pinochet's rule. "Only logic dictates that they should have been," he says.

Mr Triveli is less worried about the absence of computer terminals than the information that could have been stored in them. When a member of the new government confronted General Jorge Ballerino, one of Gen Pinochet's top aides, about the missing files, he is said to have replied: "What are you worried about? Seventy per cent of the information was about you."

The Armed Forces do not deny that their retreat to the barracks was accompanied by a substantial number of removal vans. They argue that everything they took, including a score of presidential vehicles, was purchased by the army and therefore belongs to them. But after 16 years in which the Armed Forces were the government, most Chileans regard this semantic distinction as little more than a way of concealing daylight robbery.

On the surface, Chile appears to be adapting quite well to life without the General. The shanty towns that ring Santiago are blossoming with political murals – the work of Communist Youth "art brigades" – and radical priests exiled by the former regime have returned to work among the poor.

Chile's universities have thrown off their military rectors and are in the process of electing new heads. Some 600 copper workers and thousands of school teachers blacklisted by the military have been offered back their jobs.

General Pinochet's departure has also been marked by an avalanche of literature documenting the human rights abuses committed under his rule

Chile is also rediscovering the benefits of returning to the club of democratic nations, with the Spanish, French, Italian and Nordic governments pledging millions of dollars in aid to back President Aylwin's social programmes. Culturally, too, Chile is no longer the pariah of Latin America: icons of the left, such as Mr Gabriel Garcia Marquez, the Colombian novelist and Nobel laureate, and Cuban singer Silvio Rodriguez, set foot in Chile last month after an absence of 16 years.

Radio and television have cut the former dictator's daily itinerary from their news reports and his comments no longer fill acres of print. Contrary to what was feared, Gen Pinochet, who remains Commander-in-Chief of the 57,000-strong army, has virtually disappeared from public view.

The General's departure has also been marked by an avalanche of literature documenting the human rights abuses committed under his rule. One book, Los Zarpazos del Puma (The Blows of the Puma) by journalist Patricia Verdugo, has run into five editions in as many months with 60,000 copies sold – an all-time record in Chile. The story of a military commando which left a trail of death as it swept through northern Chile in the aftermath of the September 1973 coup may be familiar to human rights activists, but it came as a shock to former supporters of the military regime.

Stories of disappearances and the discovery of anonymous graves near military buildings are beginning to surface in the press. But the publication in a communist weekly of the names of 900 agents of the dissolved CNI secret police rattled the new government. The last thing President Aylwin wants is a destabilising trial by media of the military, and the press has been ordered to temper its investigative zeal.

But like the presidents of Argentina and Uruguay before him, Mr Aylwin knows the legacy of human rights violations will not melt away. Last week he launched his own initiative, a National Commission of Truth and Reconciliation, which will have six to nine months to identify the victims of torture, disappearances and political executions. However, the commission will not be allowed to name those who ordered or took part in the repression.

In steering a middle course, Mr Aylwin is gambling that the desire for truth is stronger than the desire for retribution. Justice may come later, but it will be a matter for the courts, which have not distinguished themselves for investigating rights abuses in the past.

The thirst for information about the military repression, however, is tempered by a desire for political stability, and above all, peace. The country's new-found prosperity, and the economic havoc of its neighbours, have made Chileans more conservative, even though much of the population has yet to receive a fair share of the fruits of the economic boom. For Mr Aylwin, delivering social justice will be as much of a challenge as putting the human rights issue to rest.

WORLD TRADE NEWS

Hills retreats on building services clash with Japan

By Nancy Dunne in Washington

MRS CARLA HILLS, US Trade Representative, has again backed away from a trade confrontation with Japan in a decision not to cite it for denying market access to foreign building services.

The decision was reached under provisions of the Airport and Airway Safety and Expansion Act, which ordered the Trade Representative to designate by April 30 those countries failing to provide fair and equal opportunity for public works construction.

The Bush Administration, having gained numerous concessions from Japan under the "Super 301" provision of the 1988 trade law, last week refused demands from many Congressmen to list Japan for the second straight year as an unfair trader, liable to sanctions.

It was a political victory for Mr Toshiki Kaifu, the Japanese Prime Minister, who might otherwise have faced harsh criticism for having acceded to US demands on supercomputers, wood products, satellites and "structural impediments" to trade.

Mrs Hills said that Japan had taken "helpful steps" to open the building services market, and that some new contracts had been won by US companies.

Under a Major Markets Agreement, Japan has promised bidding access to 14 projects in its huge public sector market. Mrs Hills said Mr J Michael Farren, US Commerce Under-Secretary, will hold talks in Japan this month, with the aim of gaining access to the entire Japanese market.

"If progress in on-going negotiations is unsatisfactory, the Administration would consider appropriate action," Mrs Hills said.

Senator Frank Murkowski (Alaska, Republican), who has led Congress in the US assault on Japan's construction market, said progress cited by Mrs Hills in licensing and winning contracts "does not satisfy me or the US construction industry.

"We have obtained contracts for only $200m over two years, but our bilateral agreement estimates about $17bn of work over 10-15 years. This is not enough progress. The Japanese did roughly $2.2bn in the US construction market last year alone."

An aide to Senator Murkowski said Austin, a Texas company working in Japan for 17 years, recently lost a bid in a joint venture with Okumura, submitted at "rock-bottom price". There is concern that the winning bid, submitted by two Japanese companies, was on below-cost terms.

Soviet oil and gas 'offers big market for Scotland'

By A Correspondent

A HUGE market for Scottish oil and gas technology, services and skills exists in the Soviet Union, and companies must take the lead in capturing this largely untapped market, the Scottish Development Agency (SDA) says.

A report entitled The Soviet Oil and Gas Industry and Opportunities for Scottish Industry highlights the Soviet Union's need for advanced technology and services to boost oil and gas extraction and output, which currently accounts for 60 per cent of Soviet hard currency earnings.

Mr Gavin Jones, head of the SDA's Oil and Gas Division, said: "For the USSR to maintain targeted levels of production up to the year 2000, 10 per cent of all Soviet spending will be in the industry."

Soviet oil and gas imports totalled Roubles 1.2bn (£1.2bn) in 1988, of which £180m is spent with western suppliers. Of that, 93 per cent goes on drilling and exploration equipment. Scottish companies were well placed to exploit this market.

Soviet bureaucracy was slow, and UK companies should start now to win orders for delivery three years hence.

Rank Xerox drive to boost sales in E Europe

By Michael Skapinker

RANK Xerox, the office machinery manufacturer, said yesterday that greater freedom of information in eastern Europe and the introduction of a market economy would result in a four-fold increase in the number of photocopiers sold in the region by 1995.

The company, jointly owned by Xerox Corporation of the US and the UK's Rank Organisation, said it expected to increase its sales to the Soviet Union and other eastern European countries by 300 per cent over the next five years. Rank Xerox's sales to eastern Europe were about £50m in 1989.

Mr David Thompson, chairman of Rank Xerox (UK), said that eastern European countries currently had about 40 copiers for every 1m inhabitants.

Latin America had 300 copiers for every 1m, while most western European countries had 3,000.

In eastern Europe, "communism's fear of information sharing has restricted copiers to less than 15 per cent of what might be expected for such economies".

Sales growth would now be rapid because hard currency would be allocated to businesses rather than individuals, and joint ventures and new businesses in the region would need office equipment.

Rank Xerox, with offices in all eastern European capitals, would open regional offices and appoint local dealers and agents.

The number of eastern European companies with access to hard currency had increased, but Rank Xerox had long experience of setting up counter-trade deals.

The company expected to invest an additional £11m in its eastern European business over the next two years.

Mr Ralph Land, general manager of Rank Xerox's Eastern Export Operation division, warned UK companies were falling behind their continental competitors in the race for business in eastern Europe.

"A number of British companies are holding back, saying: 'We're waiting for things to settle down.' Things are not going to settle down. The time to get in is now."

Toyota to make vehicles in Pakistan

By Kevin Done, Motor Industry Correspondent

TOYOTA, the leading Japanese car maker, is planning to begin vehicle production in Pakistan by late 1992 or early 1993.

It has reached agreement on forming a joint venture with House of Habib, a Pakistani conglomerate, with the aim of producing up to 10,000 Toyota Corolla cars and Hilux pick-ups a year in the first stage of the project.

The plant, to be located at Port Qasim, 40km east of Karachi, will have a capacity to produce up to 20,000 vehicles a year when a second shift begins operations in about 1996.

It is planned to add assembly of both Toyota Land Cruiser four-wheel-drive leisure/utility vehicles and Hiace vans at a later stage.

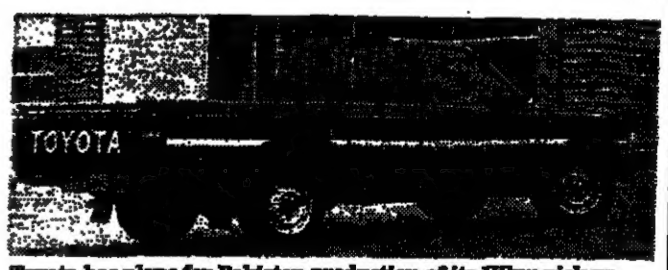
The joint venture, Indus Motor, will be owned 41.5 per cent by House of Habib, 8.5 per cent by Pakistan Automobile Corporation, 12.5 per cent by Toyota Motor and 12.5 per cent by Toyota Tsusho.

Some 25 per cent of the equity will be sold to private investors.

The joint venture will invest around $66m (£38.8m) in plant and equipment, and will have a workforce of around 400 in the initial phase.

House of Habib, which has a workforce of some 10,000, is currently involved in banking, leasing and manufacturing.

This aspect of its operations includes automotive components, paper sacks, jute bags and ceramic tiles, as well as furniture, plastic laminates and sugar.



Toyota has plans for Pakistan production of its Hilux pick-up

● AP-DJ reports from Tokyo: Toyota Motor, Japan's largest car maker, is considering setting up a marketing and repair shop network in eastern Europe, including East Germany, a company spokesman said yesterday.

The company has not yet announced any firm decisions, but the official said that, in light of recent political developments in eastern Europe, potential exists for such expansion in the region.

Much study was still needed, but the company was looking into opening marketing and service shops in East Germany, Czechoslovakia and Hungary.

Further co-operation with Volkswagen, with which Toyota is involved in a joint marketing venture in West Germany, could involve exports to Poland and the Soviet Union.

Taiwan and Indonesia 'in China project'

TWO of Taiwan's biggest conglomerates and an Indonesian group have agreed to invest in a multi-billion-dollar petrochemical project in China, the Taiwan Economic Daily News says, Reuter reports from Taipei.

Formosa Plastics, Taiwan's biggest private industrial group, would join Tuntex Group of Taiwan and Samlin Group of Indonesia in the project in Xiamen, on China's southern coast. Reports have said Formosa Plastics' stake would be worth up to $7bn (£4.2bn), Taiwan's biggest investment in China.

Details have not been confirmed, but Formosa Plastics officials have visited China. Agreement is likely when Taiwan decides a clear policy on China investment.

US Eximbank removes its political glasses

Commercial considerations dominate now in looking at E Europe, writes Alan Spence

THE POLICY of the US Export-Import Bank towards eastern Europe, historically dictated by a delicate blend of moral principle and political and commercial pragmatism, is undergoing a major re-think in the wake of communism's collapse.

But as the political smog over the area begins to clear, there are no automatic guarantees that the fledgling democracies there will attract the cover they would like from Eximbank to help bring in badly-needed imports from the US.

After the political way has been cleared, Eximbank's own risk assessors must have their say. Assessing risk in the region these days, amid a legacy of chaotic central planning and, in places, a free-wheeling drive towards privatisation, is regarded as much more difficult than when sovereign guarantees ultimately stood behind practically all trade deals.

Two political constraints have hung over Eximbank's ability to guarantee trade credits or fund US exports to eastern Europe and the Soviet Union.

First, the bank's own enabling legislation contains a blanket ban on backing business to Marxist-Leninist countries. Second, under the terms of the Jackson-Vanik Amendment to the 1974 Trade Act, Eximbank is also banned from supporting sales to countries which have illiberal emigration rules.

While these have formed the backdrop to Eximbank policy to eastern Europe, they have not been applied with any strict uniformity. The Soviet Union, for example, is not excluded from cover with Eximbank because it is a Marxist-Leninist country, but because of Jackson-Vanik.

Should the latter not apply, then the Soviet Union would, arguably, it seems, be deemed a country to which Eximbank could back business (as it was before 1974 when Jackson-Vanik took effect).

It is, in essence, what is deemed to be in the national interest of the US that has distorted the picture in the past. And this is decided by the President who has the power to waive both the Marxist-Leninist constraint, as well as the Jackson-Vanik Amendment in individual cases.

On the other hand, with the political complexion of eastern Europe changing, the presidential waiver has also become the instrument by which emerging democracies can be rewarded – as well as US national interest served.

Thus it the presidential waiver which allowed Eximbank recently to resume short-, medium- and long-term cover to Czechoslovakia. Eximbank also recently resumed short-term cover to Poland. In this case, no prior political constraints had to be removed: it was purely an Eximbank risk-assessment decision.

EXIMBANK'S EASTERN EUROPEAN EXPOSURE

country	amount
Yugoslavia	$1.1bn
Hungary	$3.2m
Poland	$420m
Soviet Union	$30m
Romania	off cover
Albania	off cover
Bulgaria	off cover
East Germany	off cover
Czechoslovakia	on cover, but no exposure

Note: Figures refer to principal amount of credits or loans guaranteed and do not take account of any due interest.

Elsewhere, Eximbank's eastern European cover is patchy, but under review. The bank has been open for business to Hungary since 1979 and Yugoslavia's traditionally more independent brand of communism, allied with US national interest considerations, has been a big factor in allowing Eximbank to remain unbrokenly open and active in that market for the past 30 years.

In contrast, neighbouring Albania has never been open for Eximbank cover. Nor has cover been available for East Germany and Bulgaria.

In spite of of the inhumane excesses of the Romanian government of President Nicolae Ceausescu, Jackson-Vanik was waived by Presidential decree some years ago and it was not until Romania itself renounced its Most Favoured Nation treatment with the US that the then-President Ronald Reagan did not bother to seek an extension to the waiver in 1988.

Thus, as those at the centre of Romania's political turmoil seek to develop some direction for the country's tottering economy, Eximbank is not around to help.

However, as eastern Europe continues its drive towards democracy and, assuming détente remains intact between the Soviet Union and the US, these political wrinkles surrounding Eximbank eastern European policy should steadily be evened out.

This then begs the question: how will Eximbank itself assess eastern European risk for the purposes of providing cover under its various insurance and loan programmes?

Officials make no secret of the difficulties they are facing in trying to establish assessment procedures for economies which are undergoing such a fundamental restructuring. There are definitely no promises of blanket cover in the offing.

The bank, however, has been forming some tentative opinions before the necessary political waivers.

Assuming it is allowed to re-open in Moscow, for example, loan guarantees and insurance cover are thought to be awaiting US exporters to that market.

All Romanian debt to Eximbank has been re-paid, so that country is well-placed for some form of cover, should it be politically permitted. And, Eximbank, already free to cover sales to Poland, looks set to expand support should the country's economic position improve.

Some form of cover looks set for Bulgaria and East Germany, more so in the latter's case, given its growing attachment to West Germany.

However, with Tirana still more or less firmly embracing its Stalinist past, Eximbank officials are unlikely to spare a thought for Albanian risk assessment in the future.

Alan Spence is Editor of International Trade Finance, a fortnightly report published by Financial Times Business Information

UK NEWS

Pru-Bache pulls out of UK stocks

By Richard Waters

PRUDENTIAL-Bache, a subsidiary of the giant Prudential Insurance of the US, all but withdrew yesterday from the UK equity market as the difficult stock market conditions of recent months began to take their toll.

In a further sign of the pressure on stockbrokers, Parrish, a quoted private client broker, announced a recapitalisation plan to raise up to £4.35m.

The moves come in the wake of sharply reduced stock market activity, which has prompted fears of another wave of redundancies and lay-offs in the City.

Pru-Bache began to make markets in UK stocks as recently as last August. Yesterday, however, it laid off 20 equities staff, leaving it with a skeleton team of eight. The firm blamed stock market conditions for its decision.

Around 12 lay-offs earlier this year and other departures in recent months had already eaten into the firm's presence in the equity market. It will continue to make markets in the nine UK stocks in which it has made prices up to now.

Pru-Bache's move is thought to mark the next phase of the protracted scaling back of stockbrokers, which has shrunk in capacity in the stock market since the 1987 crash.

Thatcher rules out major changes to new local tax

By Michael Cassell, Political Correspondent

MRS Margaret Thatcher yesterday appeared to rule out any major legislative changes to relate the poll tax – the controversial new charges for local services and amenities – more closely to people's ability to pay.

During the last House of Commons question time before tomorrow's local elections, at which the Conservatives are preparing for heavy losses in municipal and rural councils around Britain, the prime minister emphasised the "very generous" rebates available to the less well-off and rejected demands by the opposition Labour Party for abolition of the tax.

She said 18m of the 36m people liable to the tax were to some extent protected by rebates and transitional relief arrangements and turned the attack on Labour, claiming: "The enemy is not the community charge; the enemy is high-spending Labour councils".

The new tax, known officially as the community charge, is designed to replace the old "rates" – the tax levied by local councils on each property sited in their area. The rates took no account of the number of people living in each property. The poll tax is levied on individuals.

Thatcher: "The enemy is not the community charge"

Anger at the poll tax has led to well-organised campaigns protesting at the level of charges, which culminated last month with the worst riot in central London in recent years.

Yesterday, amid rowdy scenes in the House of Commons, Mrs Thatcher refused to be drawn on whether ministers would bring forward new legislation when their present review of the workings of the tax is complete.

An announcement of any intended changes is expected by July at the latest, before the government has to set the level of central government support for local authority budgets.

Although some Conservative MPs are continuing to demand the introduction of a system to relate poll tax levels to individual incomes, ministers are thought instead to be concentrating on a further improvement or extension in benefits.

A higher level of the funds paid by central government grant to local councils for 1991-2 will also be considered, but only if ministers can ensure that the benefits are passed on to poll tax payers.

Even so, civil service sources were continuing to claim yesterday that the review being conducted by ministers, under the chairmanship of Mrs Thatcher, had not reached any conclusions about possible alterations to the tax in time for its second year of operation in England and Wales.

In the House of Commons, Mrs Thatcher insisted – despite Labour jeers – that the poll tax was a much fairer system of raising local authority finance than either domestic rating or Labour plans for a "roof tax".

Mr Kinnock claimed that the poll tax could never be fair and was incapable of being amended.

He told Mrs Thatcher it had to be scrapped.

Manufacturers to cut 'thousands' of jobs

By Andrew Marshall, Economics Staff

THOUSANDS of jobs will be lost as UK manufacturers struggle to remain competitive in the face of rising costs, the Confederation of British Industry (CBI) predicted yesterday.

Business confidence continued to deteriorate in the four months to April, the employers' organisation said in its quarterly survey of industrial trends. Demand has grown slightly, as rising export orders offset the decline in domestic sales.

But rising wage costs are handicapping British exporters, and forcing cutbacks in employment.

More than a third of the 1,232 firms surveyed during April expected to lay off workers during the next four months, compared to 11 per cent which said they intended to take on staff.

The balance of 23 per cent intending to reduce the workforce was the highest such figure since October 1983. Almost 40 per cent said they had cut their workforce in the past four months.

Profits were being squeezed by rising labour costs and high interest rates, the CBI said. "In addition, the fall in home demand makes it very difficult for manufacturers to match the productivity growth achieved by major overseas rivals," said David Wigglesworth, Chairman of the CBI Economic Situation Committee.

"As a result, it seems likely that many thousands of jobs will be lost as companies seek to reduce their unit costs to remain competitive in world markets."

Andrew Sentance, CBI economist, said a cut in factory jobs of about 54,000 was expected over the next three months. Manufacturing represents only a quarter of the economy, and the impact on the rate of unemployment will be dependent on employment in the service sector.

UK unemployment in March was a seasonally adjusted 1.6m or 5.6 per cent of the workforce, compared with the highest jobless total on record of 3.1m or 11.3 per cent in July, 1986.

The CBI's forecast follows hard on the heels of several recent warnings from the government and the private sector about the pace of UK wage inflation and the decline in productivity.

The survey gives mixed evidence on the extent of the UK's economic slowdown. Demand has risen slightly over the last four months, after two successive surveys showing a decline in new orders, and firms expect a slight increase over the next four month period.

Output growth is currently flat, but is expected to rise. Mr Wigglesworth said that if anything, recession seemed further away. But he also pointed to the threat to UK industry posed by high interest rates, and the continuing weakness of investment intentions.

BRITAIN IN BRIEF

Defence budget cut by £350m

The UK defence budget will have to be cut by £350m after the Treasury under-estimated the rate of inflation, according to defence secretary Mr Tom King.

Speaking at the all-party parliamentary Commons Select Committee on Defence, Mr King said that a rate of inflation of 5.75 per cent had been allowed for in the budget.

But the current inflation figure meant that savings representing 1.75 per cent would have to be found.

Mr King would not say where the savings might be found. However, he denied that the failure of the recent policy paper on defence to make an explicit commitment to a surface fleet of at least 50 ships was significant. He said that orders for at least three Type-23 frigates would me made later this year.

Some of the savings will come in a reduction in the number of service personnel on the wage-roll.

Crédit Agricole to Fleet Street

The former home of The Daily Telegraph, on London's Fleet Street, is to become the new British headquarters of Crédit Agricole, the largest French bank.

The building, of 43,875 square feet on the west side of the City of London, is being extensively refurbished behind a listed facade. It will be ready for occupation by the end of this year and Crédit Agricole will move in during May 1991. It is owned by Goldman Sachs, the US investment bank.

Crédit Agricole will rent the building from Goldman Sachs for £2.12m a year. This implies a rent averaging £48.50 a square foot.

But Crédit Agricole will have rent-free period of six months – an indication of how the balance between landlord and tenant has swung towards the tenant over the last 18 months.

N Ireland jobs figures

The Industrial Development Board, Northern Ireland's main jobs agency, promoted 800 fewer jobs than anticipated last year despite its best ever performance in attracting new inward investment projects.

Figures expected to be released next month show that the IDB promoted around 5,200 jobs in the year to March 31, this year.

The figure includes 500 jobs in four companies from West Germany, the United States, Japan and Hong Kong still to be officially announced.

In the international market place, where competition for inward investment projects is intense, the board promoted almost 2,000 new jobs in 14 new overseas companies.

Bringing to Ulster the French engineering company, Montupet and Korean video manufacturers Daewoo has led to more international companies examining the province as a potential location.

ECGD moves to Docklands

The Export Credits Guarantee Department(ECGD) is to become the first government department to move to London's Docklands development area down river from the capital's historic core.

It is to relocate 500 staff from its present Ludgate Hill headquarters close to St Paul's Cathedral, in the summer of next year. The move, subject to contract negotiation, is expected to bring substantial savings. Officials said this will help mitigate the higher premiums introduced for the insurance cover provided on medium term export credits.

Visnews plea on TV contract

Visnews, the international television news agency controlled by Reuter, is making a last-ditch attempt to persuade the Government to ensure "fair competition" over who should supply news to the ITV system in future.

Mr Julian Kerr, managing director of Visnews has written to both the Home Office and Downing Street expressing fears that Independent Television News, the present provider, "is to be protected against competition, whatever its merits, to preserve its funding, irrespective of how profligate that may be."

● The Cable Authority awarded four more cable franchises bringing the total awarded in the UK to 88. Telford Communications, backed by the Goldcrest group won the franchise for Telford. Diamond Cable whose backers include Mr Allan McDonald a US cable operator won three franchises in the East Midlands covering Grantham, Melton Mowbray and Newark on Trent, central England.

Doubts over UK economy

Consumers have less confidence in the British economy than at any time since 1982, according to a Gallup survey for Staniland Hall Associates, the business forecasters.

The results, which show significantly more pessimism than in the last quarter, suggest that discretionary spending will fall. Economic gloom is most marked with respect to households' own prospects – fewer than 21 per cent of families expect things to improve for them in the next year.

Homeless in '90 seconds' claim

People who fall behind with mortgage repayments can lose their homes after court hearings lasting just 90 seconds, the National Consumer Council warned yesterday.

Lady Wilcox, the NCC chairman, told a conference that courts deprived people of their homes "often without any real evidence of debtors' financial circumstances.

Manx sexual law delayed

A decision on the Isle of Man's Sexual Offences Bill, which provides for the legalising of homosexuality, has been delayed for a further two months.

The House of Keys voted to appoint a select committee to examine the constitutional implications arising from the UK Government's right to legislate for the island, should the Manx Government fail to get the bill through – the bill is necessary to bring the Isle of Man into line with the European Convention of Human rights.

Jersey stated last month it would legalise homosexuality, leaving the Isle of Man the only territory in the Council of Europe where homosexuality in private between consenting adults is a criminal offence.

Heath presses EC attack

Mr Edward Heath, the former Conservative Prime Minister, buttressed his onslaught against Mrs Margaret Thatcher's stand on Europe saying it was "foolish" to keep pressing for a definition of political union.

Mr Heath said the European Community had spent forty years moving towards closer economic and political union. Now the majority of its leaders thought "the time is ripe to accelerate the process".

Mr Winston Churchill, the wartime Prime Minister, had called for "a kind of United States of Europe" but did not define precisely what this would mean, Mr Heath said.

"It has always been understood that the community would develop sui generis. . . The European Community must develop its own structures to satisfy the demands of its member nations."

"That is why it is foolish to keep harking on that political union needs to be defined."

Offshore Supplies Office admits to changing role

UK oil services unit to bow to EC market demands

By Steven Butler in London and Lucy Kellaway in Brussels

THE Offshore Supplies Office, a branch of the Department of Energy dedicated to promoting the UK oil service and supply industry, is to have its wings severely clipped as the single European market comes into force in 1993.

Mr John D'Ancona, OSO director, said in an interview that the OSO was prepared to sacrifice a crucial part of its information gathering activities to satisfy European Commission concerns that these interfered with the free play of the market.

"The Commission has expressed concern about the way we collect information. We're quite relaxed about that," he said.

The news will be greeted with relief by offshore oil companies, which have been obliged to supply detailed information to the OSO on tenders for equipment and services, and to report on which companies win bids.

Some companies saw this merely as a bureaucratic burden, but others resented what they said was strong OSO pressure to buy British.

John D'Ancona: "quite relaxed" on EC concerns

However, Mr D'Ancona cautioned oil executives not to expect the OSO to be wound up.

He also insisted that the European Commission's goals of ensuring a level playing field for competition in the industry were fully consistent with the purposes of the OSO.

He said the OSO had always intended merely to give the UK industry a "proper and fair chance," and that US oil companies in particular had had to be pressed in the early days of the North Sea to look beyond their traditional suppliers from the US Gulf Coast.

"We have never operated a buy British policy. The oil companies know they will never be asked to take on a supplier they are not comfortable with," he said.

However, there have been cases of serious disagreements between the OSO and companies which have placed large orders overseas. Companies are reluctant to make these incidents public for fear of retaliation, but some claim they have been blacklisted in licence rounds, though such stories are impossible to confirm.

Last year British-based companies – including UK subsidiares of foreign companies – won 81 per cent of the record £3.9bn orders placed for offshore supplies and services.

BP sells Ulster coal deposits overseas

By Maurice Samuelson

BRITISH PETROLEUM has sold its interest in one of Northern Ireland's biggest deposits of lignite, or brown coal, to MIM Holdings, the Australian-based minerals group, and Agip, the Italian energy company controlled by the State-owned ENI.

In a £5.1m deal, which is subject to Government approval, MIM and Agip have acquired the rights to prospect for lignite at Crumlin in County Antrim – long seen as promising cheap electricity for Ulster.

Two other Australian companies, Meekatharra Minerals and BHP-Utah, hold the licences to develop Ulster's other main lignite deposit at Ballymoney. The sale of rights at Crumlin, part of BP's continuing disposal of coal properties, is likely to sharpen competition over which deposit should fuel Ulster's first lignite power station.

Such a plant currently takes third place after two other options for updating Ulster's outdated and inefficient generating plant.

Meanwhile, uncertainty remains over the format for privatising electricity in Ulster, where the market is currently supplied by a monopoly, Northern Ireland Electricity.

Drax power station signs deal to sell gypsum

By Andrew Taylor, Construction Correspondent

BPB INDUSTRIES, Europe's biggest plasterboard producer, has acquired sole rights to up to 1m tonnes a year of gypsum, a by-product of cleaning flue gas emissions from Drax power station in North Yorkshire, England.

The 15-year deal signed by BPB, which is facing its first serious competition in the British plasterboard market for more than two decades, is thought to be worth between £40m to £50m. Drax is Europe's largest coal-fired power station.

Redland, the British building materials group and Knauf of West Germany, which have only recently started plasterboard production in the UK, also bid for the Drax gypsum.

Knauf, which last year started producing plasterboard at Sittingbourne in Kent and Redland, which has opened a plant near Bristol, import all the gypsum they use.

Mr Brian Hogben, BPB's finance director, denied the *group had paid a high price to* frustrate the efforts of its rivals to find an alternative to imported gypsum. "We have paid an economic price and will make a profit on the deal," he said.

BPB has substantial reserves of naturally produced gypsum in the UK, mining between 3.5m to 4m tonnes a year.

Until recently it controlled more than 95 per cent of the UK plasterboard market.

It estimates its market share has shrunk to about 70 per cent as a result of increased competition from Knauf and Redland.

Rover targets new markets with Metro

By Kevin Done, Motor Industry Correspondent

ROVER, the UK vehicles group, today launches a modernised version of its 10-year-old Metro small car, the group's third significant product launch in less than a year, as it seeks to halt the erosion of its market share in the UK and Europe.

The introduction of the revised *Metro follows* the recent successful launches of the Rover 200/400 medium car range, developed jointly with Honda of Japan, and the Land Rover Discovery four wheel drive vehicle.

Rover, 20 per cent owned by Honda, has invested about £200m in a comprehensive re-engineering programme to update the Metro, which accounted for more than 30 per cent of its car output last year.

The small car segment of the UK car market has nearly doubled in the last decade to 24.2 per cent last year. The Metro, which has only modest sales in Europe, was in second place in the segment in the UK with sales of 99,373 compared with UK sales of 149,358 by the Ford Fiesta.

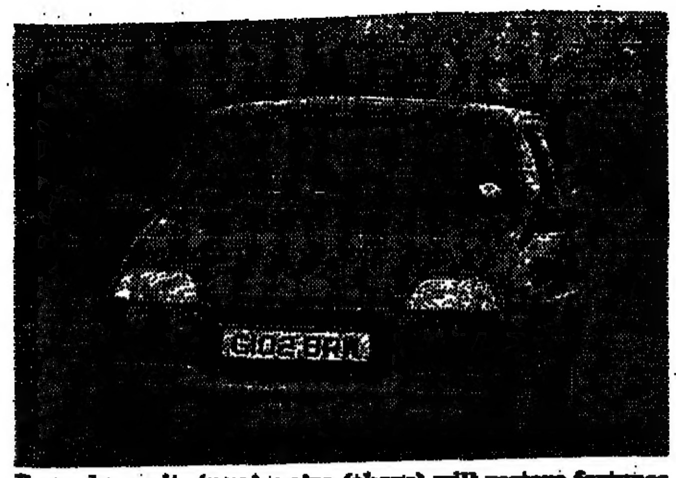
The new Metro range will be equipped with Rover's K-Series engine and modified Peugeot R65 gearbox, first introduced *in the Rover 200 late last year.*

The new range will be spearheaded by a high performance 114 mph Metro GTi, but Rover is also launching for the first time simpler 8-valve 1.1 and 1.4 litre versions of the K-Series in the Metro. Prices will range from £5,985 to £9,735.

The high level of demand for *the Rover 200/400,* which also utilises the K-Series engine as well as a 1.6 litre Honda engine made in Swindon, is forcing Rover to move to continuous working at its Longbridge powertrain plant with round-the-clock, seven days a week production of engines and gearboxes.

Rover also appears to be committing itself to a long-term presence in the small car sector of European car industry, despite its general attempt to move the Rover product range up-market.

It has lacked the financial resources in the late 1980s to design and develop an entirely new small car to replace the Metro, but it has decided to use the Rover badge on the new Metro range, and in continental European markets it has decided to rename the car as the Rover 100, dropping the Metro name with its old British Leyland associations.



Rover hopes its 'new' metro (above) will restore fortunes

As a further move in the renewal of its range Rover is expected to use a version of the car being developed by Honda, code-named Synchro, for production at the Honda assembly plant under construction at Swindon, as a replacement for its Montego range.

It has already announced plans to launch a new generation of executive cars at Cowley in the early 1990s, codenamed R17/18, to replace its Rover 800 series, which was launched in 1986. Cowley will also produce a top-of-the-range coupe, derived from the R17/18, aimed at the US market for launch in 1992.

Rover has planned an annual two-shift production capacity of 3,500 a week for the Metro, although this could be increased further, if justified by demand, possibly by moving to three-shift round-the-clock output, as is happening with the Rover 200/400.

British Aerospace to introduce share plan

By Terry Dodsworth

BRITISH AEROSPACE, one of the UK's largest manufacturing groups, is to introduce a personal equity plan (PEP) and a savings and investment scheme to encourage small investors to buy its shares.

Professor Roland Smith, the BAe chairman, said the company wanted to create a more balanced shareholding base, but realised that the cost of acquiring shares was a disincentive for many small investors.

"We are trying to make it has easy and as economic as possible for investors to buy shares in British Aerospace," Prof Smith said.

The PEP, which follows a similar scheme launched last month by Smith & Nephew, the healthcare company, will allow investors to buy £6,000 worth of BAe shares a year with no initial charge and brokerage costs of just 0.25 per cent.

The annual management fee will be 0.5 per cent.

The Savings and Investment Scheme, designed and run by the Hoare Govett stockbroking group, will have a commission of 1 per cent and no minimum charge.

Investors will be able to save £50 a month or more, in the fashion of the increasingly popular savings schemes being developed by the investment trust industry.

BAe, which owns the Rover group and is one of the country's biggest defence contractors, has 110,000 small shareholders, many inherited from the privatisation programmes in which it has been involved.

About 42 per cent of these investors own 100 shares or fewer and 93 per cent have less than 1,000 shares.

Only 7 per cent of the company's equity is in the hands of small investors as opposed to the large institutions.

Mr Dudley Eustace, BAe's finance director, denied that the launch of the savings scheme, which also has a cheap share sale facility was a way of persuading some small investors to sell.

Games attract major sponsor

By Ian Hamilton Fazey, Northern Correspondent

THE World Student Games in Sheffield next year has attracted its first big international sponsor.

British Telecom will provide a mixture of cash and kind worth £500,000, setting up the largest temporary international communications network assembled in Britain.

British Telecom will install a telephone and data network to link the various sites and stadia and carry results. It will also set up a media services centre to enable reports of the games to be transmitted easily worldwide.

The games, one of the main sites of which is pictured above last year, still have a long way to go to raise the £27m needed to break even. The £12m target for commercial sponsorship and fundraising is largely dependent on television coverage. A One Million Club – an attempt to persuade 1m individuals to pledge £27 each towards the costs – has also been set up. The club's first members were Mr Colin Moynihan, the sports minister, and Mr Sebastian Coe, the athlete and prospective Conservative MP.

TECHNOLOGY

Dave Madden examines the role of electronic data in shaping commercial relationships

The advantages of influence

Architects using computer-aided design systems no longer need to draw toilet bowls or remember brick dimensions. Their Cad workstations invariably come with a library of such drawings, supplied by the Royal Institute of British Architects.

Some 40 building product firms – including Twyfords, Marley, Ideal Standard – pay Riba Services Limited up to £20,000 to be included in its RibaCad database, and to get their merchandise displayed in front of buyers.

This arrangement illustrates the increasing role information technology plays in commercial relationships, controlling suppliers and influencing customers. Sixty per cent of architects surveyed by Riba confessed recently that their product choice was influenced if they were given a drawing. Alan Ray-Jones, Riba Services technical director, says there is an overwhelming demand for the facility.

Such services are carried out by electronic data interchange (EDI), where information from one computer is sent to another over the telephone line. Transfers can be arranged between buildings, companies or countries, and between computers from different vendors.

Unichem, the UK's biggest independent pharmaceutical distributor, receives 98 per cent of its orders electronically from pharmacies using Prosper, its stock control and ordering system. The system hardware – either a portable data capture unit or an IBM personal computer, is not free but Unichem provides software and support.

David Walker, Unichem's management services director, says the system has revolutionised the firm's order placement and distribution cycle – it now delivers twice per day. Ultimately, says Walker, "we'll be able to anticipate what pharmacists want. Once committed, a customer is more likely to put most of his business with us." Prosper has also transformed the nature of Unichem's business, and the way chemists do theirs. In effect, Unichem manages its customers' stock levels.

Kirtland Mead, European vice president of IT consultancy Index Group, points to a similar evolution in Germany. Zeppelin, the heavy machinery manufacturer, built a database to plot the maintenance status of all its machines. Zeppelin manages an installed base of equipment and the main thrust of its business is to help customers to control their costs.

The concept of electronic delivery is well established in the financial community. It is fundamental to Citibank's Citibanking service, for example. The system allows corporate treasurers to monitor their positions internationally – either from a personal computer supplied by Citibank installed on their desk or via their own in-house computer system – and to initiate transactions.

New Zealand Insurance, a fast-growing arm of General Accident, has taken the concept to its logical conclusion. Brokers installing its on-line underwriting system, Bonus, get not only applications software, an IBM PC, policy document printers and access to the NZI database system – but an underwriter sitting in the broker's office to operate it. Bonus is free, though NZI only installs it where it expects a reasonable volume of business.

NZI's IT manager Bob Butler says Bonus has emerged as an important marketing tool. "It is straightforward technology – and very successful. Where it is installed we are still in competition with the market – but we do get the opportunity to quote – and because it is so easy to use us we do get the business."

David Flint, head of research at the Butler Cox Foundation, argues that there is a law of diminishing, if not zero, returns operating here. "If one supplier increases the service level significantly then the competition will have to follow eventually," and in the longer term this implies a progression from tying customers into proprietary systems to the evolution of electronic marketplaces.

While EDI is not an electronic marketplace, there is no doubting the power and influence it can bestow. Peter Kenny, EDI product manager at systems house Scicon, argues that most EDI communities have been driven by one large and dominant company. British Coal, says Kenny, is encouraging its myriad and mostly smaller suppliers to trade electronically to help it cut its internal administration costs. "There is no doubt that EDI has been driven by the big boys," says Kenny. Where EDI is most advanced – in the retail, automotive, and distribution businesses – systems have mirrored the competitive status quo.

The process is not necessarily adversarial, partly because competitive advantage is hard to sustain. EDI is just one element in supply chain management but there are pressures to conform.

Mike Pickett, EDI product manager at Philips Components, which has 50 per cent of its lines ordered electronically by more than 90 distributors, says: "There is not a hope in hell of tying distributors in. EDI is about quality, about improving the whole logistics chain."

While the system is not mandatory, Pickett concedes that distributors are almost obliged to participate. Marks & Spencer, which gave EDI its commercial push in the UK and was instrumental in technical design of the Tradanet EDI network which carries most of the UK's live EDI traffic, has similar experience.

Simon Orebi Gann, IT executive at M&S, says the company's introduction of EDI was "a highly co-operative effort." Currently, more than 90 per cent of UK merchandise in its clothing and homeware businesses is ordered electronically. "It has enabled us to take critical hours out of a very tight schedule," says Orebi Gann. Not surprisingly, the company is preparing to extend the system to its food supply chain within the next two years. It is M&S's policy to get all its suppliers on to EDI, and it is unusual for it to trade with a supplier who cannot or will not communicate with it electronically.

Another EDI pioneer, Lucas Industries, is at the point of shifting its early emphasis on links with its customers to links with suppliers. EDI co-ordinator Keith Blacker says that so far EDI has been part of Lucas's customer relations effort. "We wanted to influence those who buy from us by being a better supplier and responding to their requests," he says. "If we take a more supportive role we'll get more out of it."

However, this community spirit is not so evident on the other side of the EDI equation – exchanging design data. The stakes are much higher on the technical exchange side, says Blacker, simply because of the high design content. This is exacerbated by the fact that despite progress in producing neutral file formats for data transfer, pictures are still more difficult to transfer than text.

As a result some manufacturers have decided that they cannot wait for better standards. Last autumn Ford published a supplier CadCam data exchange policy. Ford suppliers, it states, will be required to work towards a total CadCam operating environment. Data translation is acceptable for some products, but Ford's "preferred" method for sharing design data is for suppliers to use one of its primary Cad systems.

Ford's statement concludes: "We expect our suppliers . . . to use the same system where appropriate. In the long term we will consider that a supplier with the same system will have an advantage over one that does not, in sourcing decisions where CadCam is applicable."

Nick Bell, Ford Europe Systems' CadCam supervisor, argues that Ford has only said publicly what other manufacturers say in smoke-filled rooms, but the fact remains that some of its suppliers will have to invest in compatible Cad systems if they want to do business with Ford.

Lucas's Blacker says that Ford's attitude is understandable, "It has a business to run and designs to get on to the production line." But, he warns, "If other customers demanded the same we'd be talking big money. The cost to suppliers would be great and industry must come to terms with this issue. Loading costs back to suppliers will not do any one any good in the end."

Paperwork exported

ANYONE involved in the import and export business is well aware of the mountains of paperwork involved: Customs documentation, bills of lading, confirmation slips, invoices – the list seems interminable. On average, between 25 and 30 documents are needed to accompany every export order.

And with this mountain of paperwork comes plenty of room for error. More than 50 per cent of documentary credits – one of the pieces of paper used in the export business – have to be sent back because the information is inaccurate.

So says Roy Assersohn, chief executive of Trade Network International (TNI), of London, which from next month will target the freight forwarding business with electronic data interchange (EDI) services.

Subscribers to the TNI service – five large exporters are already taking part in trials – will get the opportunity to send at least part of their documentation electronically rather than trusting it to the post or the courier.

Eleven standard document formats will be used, for such things as freight invoices, bill of lading and shipping instructions. By the end of the year a further eight documents, using the Tradanet format, will be in introduced. Tradanet has now been adopted by the US, Europe and much of the rest of the world as the international messaging standard.

Exporters using the service sit at their terminal or personal computer and slot the information about the shipment from their computer records into the standard document produced by the TNI software.

This is then sent at the press of a button using a combination of national and international packet switched data networks or leased lines to the freight forwarders, shippers or airline companies. They, in turn, can send the documentation on to the importers or recipients of the goods. The international communications network run by Sita for the airline companies will also carry some of the messages.

Assersohn believes the main customers for the service – the first EDI service in the world designed for international freight forwarders – will be the large or medium-sized companies, eager to take advantage of the speed and accuracy of sending "paperwork" electronically.

Della Bradshaw

The aftermath of great expectations

Della Bradshaw and **Louise Kehoe** on the results of a joint software effort by Apple and Digital

Two years ago when Apple and Digital Equipment Corporation announced that they were developing software so their products could work together, a thrill of excitement ran through the computer world.

Here was the original personal computer manufacturer and the inventor of the minicomputer teaming up to mount a powerful challenge to the dominance of IBM.

John Sculley, Apple's chief executive, went as far as describing the pact as the "beginning of the data communications story of the decade."

But two years can be a long time in the computer business. When the fruits of their joint labour saw the light of day yesterday the thrill and the excitement has palled. Since the original announcement, interest has shifted palpably.

More fashionable these days as the primary route to interoperability is the push towards "open systems" based on Unix and standard microprocessors – a route which Digital is continuing to pursue.

By comparison the plans by Digital and Apple to make their two islands of proprietary computers work together in the sea of "Big Blue" now look somewhat outdated.

In addition, the 1988 announcement came at a time when IBM appeared unusually vulnerable in the "mid range" computer area. Since then, it has come out with a successful mid-range product, the AS/400.

Instead it is Digital and Apple that are in the doldrums. The US computer market is sluggish, with growth in the lower end of the personal computer market, and minicomputer sales, slow. Digital is in the throes of staff cutbacks and recently took a $150m charge against earnings to cover a planned reduction in its workforce.

Apple, too, has not been without its problems. There have been several top management changes over the past few months. Among those departing have been Jean Louis Gassée, former president of product development.

Apple's interest in the project also seems to have waned. The announcement yesterday was made by Digital – not Apple. And Digital will be selling the software, known as Dec LanWorks, despite the tag of a joint project. Lalit Nathwani, Digital's PC integration marketing manager in the UK, estimates that at least 60 per cent of the development work was done by Digital.

Behind the politics, however, yesterday's announcement of software to enable Apple computer users to link in with users of Digital's Vax systems will be good news for many a corporate computer user.

Digital estimates up to 40 per cent of sites which use Vax hardware also have users of the popular Apple Macintosh. As Nathwani put it: "Customers today and in the future will buy Apple Macintoshes because they fall in love with the things."

The software integrates AppleTalk networks into the Digital network, DecNet, enabling users to share files, printers and other services with users of Unix and VMS systems. Users of IBM PCs, running under the MS-Dos and OS/2 operating systems, can also share in the networks – Digital has already announced the means to allow PC users to link in with its systems.

The reason for the protracted development time was the need to ensure the two companies' product strategies were moving in the same direction, says Nathwani, as well as the need to keep the applications software vendors informed of the developmentsso they could write appropriate packages.

Executive remuneration

Performance pays the big dividend

Simon Holberton examines the earnings package of TI's chairman

When Christopher Lewinton, chairman and chief executive of the UK-based TI Group, stands before shareholders at Glaziers Hall in the City today, he will have an upbeat story to tell.

Under his leadership the profits of TI, a diversified multinational engineering group, have powered ahead. The results of a three-year rationalisation and diversification programme have taken the company from the doldrums to one of the most highly-rated stocks in its sector.

On March 8, TI announced its profits for the 1989 year. Pre-tax earnings rose 31 per cent to £111.5m from £85.4m. A month later shareholders received TI's annual report. In the notes to the accounts the company disclosed that Lewinton's total remuneration, excluding pension contributions, had risen by 75 per cent to £715,097 in 1989 from £409,088 in 1988.

Furthermore, the annual report said that Lewinton was entitled to a separate bonus, related to the company's financial performance over the three years 1987-89, of approximately £746,500.

According to experts in the remuneration field, Lewinton's 1989 earnings place him well up in the list of the most highly paid executives in the UK today. They add, however, that there is nothing particularly unusual about the amount or the method by which he is rewarded.

They point out that there is an international market for senior executives at Lewinton's level and that they have to be competitively remunerated. Also, as one noted, "Any big company that is in difficulties [as TI was] and wants to attract someone out of the ordinary is going to have to offer more than just a salary. They have to give him a chance to make real money."

But remuneration of senior executives is a growing public issue in the UK. The Prime Minister was annoyed by the pay rise recently received by Lord King, chairman of British Airways. The large pay increases that senior executives have been awarded, while individually relatively trivial in their impact on aggregate pay in the British economy, have also helped to undermine the force of arguments put by the Government that pay settlements on the shop floor should remain at or below the rate of retail prices inflation.

But outside the political arena, at the managerial level, the question remains of how executive pay is set. What benefits are available? What yardsticks are used for calculation? And, of crucial importance, what is being remunerated? In all this, the way Lewinton is paid is instructive.

Lewinton's remuneration package comes in four main parts: annual salary, annual bonus, two three-year performance-related bonuses, and stock options. He also gets a chauffeur-driven car for work and TI provides him with a Jaguar or equivalent for his personal use. He has a "golden parachute" related to his salary and stock options in case TI is taken over. (The incentive benefits available to Lewinton are also applicable to TI's four other executive directors.)

As a US citizen who wanted to spend part of the year in the US, Lewinton negotiated a service agreement in mid-1986 with TI which split his remuneration between the UK and the US. In 1989, he was paid a salary of £208,333 for his UK employment and $225,000, for the US. (In December his UK salary was increased to £300,000, effective from this January.)

Details about his annual bonus (£359,756 last year compared with £182,000 in 1988) do not have to be made public. But Denis Saunders, company secretary of TI, says Lewinton can earn a bonus if TI's profit before tax exceeds budget. An undisclosed formula applies, but it appears that he is able to earn more than his salary in the form of an annual bonus.

The two three-year performance-related bonuses are a matter of public record. One, which relates to the growth in TI's share price, is attached to his service contract in the UK, and the other, which relates to the growth in TI's earnings per share (EPS), is attached to his US service contract with TI United States Ltd. In both cases the formula is the same although the potential pay-out is substantially different.

The formula says that Lewinton will be entitled to a bonus if TI's share price or EPS increases by more than a 10 per cent compound rate of growth from the beginning of 1987 until the end of 1989. For every percentage point of growth above 10 per cent and up to 25 per cent Lewinton can earn a bonus.

The maximum bonus Lewinton could have earned under the terms of his UK contract for growth in TI's share price was £187,000. This would have required TI's share price to double. It has not quite done that, but it has certainly risen significantly and Lewinton will receive about £150,000 for TI's share price performance over the past three years.

His maximum possible bonus under his US contract is $900,000. To earn this, TI's EPS would have had to have grown by an annual growth of 25 per cent for three years. Over the period, compound growth in EPS averaged 28 per cent, so TI consequently awarded him the maximum benefit.

Lewinton is also entitled to share options. These are options to take up fully-paid TI shares not less than three and not more than 10 years after the date of being awarded them. The price of the shares on take-up is the price prevailing on the day before the award of the options, so, if the share price increases over the intervening period, he stands to make a profit. TI's accounts show that he has 323,000 options of which one third are exercisable.

Lewinton says that shortly after he was recruited by the board, he and Ronald Utiger, the then chairman of TI, presented the board's plans for the three-year bonus scheme to a number of the company's institutional shareholders. He says they met with broad support. The institutions were particularly keen on that element of the bonus which related it to growth in EPS.

"They didn't think we could do 25 per cent compound," he says. "They were puzzled by the link with the share price."

Company analysts and pay consultants all to a greater or lesser extent query a company's basing its senior executive remuneration on the share price. They say unscrupulous executives could manipulate the share price for their own short-term gain and that a company's share price could be affected by purely market-related factors outside management's control.

Lewinton admits that if he were designing the same incentive package again he would leave out the link with the share price. Indeed, a new three-year incentive package is being put together by the remuneration committee of the TI board and this package will be based wholly on growth in EPS.

The sole focus on EPS is, Lewinton says, all about performance. He talks about "shareholder value" and the need to get management to direct its energies to increasing it. He says that over the past three years TI's shareholder value has risen by nearly £300m. This is the difference between TI's market capitalisation at the end of 1986 and now, adjusted for share issues.

"Shareholder value" is a vogue term these days in management literature. In the US it is also beginning to permeate the debate about executive remuneration. Its effect is being felt on the composition of executive remuneration, with greater emphasis being placed on the "long-term performance" component of pay.

According to Strategic Compensation Associates, a subsidiary of Korn/Ferry International, in 1981 a US chief executive officer running a $2bn turnover company could have expected to get 28 per cent of his pay in the form of a long-term incentive bonus; in 1988 that proportion had increased to 50 per cent.

John Stork, managing director of Korn/Ferry in the UK, says that in the US remuneration committees of large companies are beginning to introduce quasi-qualitative criteria as well as EPS performance into the determination of the chief executives' pay. Some of these include: the company's research and development efforts; its success in bringing new products to market; the growth in its share of existing markets; and, its success in making acquisitions work.

But Sir John Cuckney, deputy chairman of TI and chairman of its remuneration committee, demurs. Qualitative factors, such as success with R&D and in managing past takeovers, should be reflected in a company's EPS. "They should be, or it's hard to see how they benefit the shareholders," he says.

"I don't like to see any arrangement from which executives benefit without shareholders also benefiting.

Christopher Lewinton: bonus potentially more than salary

Naval rations produces a team spirit

John Thornhill explains why Barclays Bank took to the high seas

The 14 members of Barclays Bank corporate retail department were surprised when their boss told them that he had hired an ex-Royal Navy inshore survey ship for the weekend and wanted to take them all sailing in the Channel, but they thought it sounded like a fun idea.

Last month they all trooped down to Gravesend to board the *Jonas Hanway*, a 107ft ship run by the Marine Society, which is normally used for training sea cadets.

Derek Arden, the director of the retail department and responsible for its training needs, explains that the purpose of the trip was to build up team spirit. Normally, he would send individuals away to be trained on separate courses for specific purposes such as learning about risk assessment or personal development. But often these were internal courses and only involved mixing with employees of the same rank.

Because of the nature of their jobs – acting as "relationship" managers with Barclays' major clients in the retail industry – it was rare for the team to be in the same office together at the same time. This made it difficult to foster a team approach.

Arden was therefore determined to take everyone – from director to secretary – away together. "We had never previously taken a whole team from top to bottom," he said. "The first objective was to have fun. But we also hoped to see the benefits of working together in a team environment and from understanding each other better."

Apart from learning about navigation and steering on the ship's bridge, the team was required to perform a series of tests, or "evolutions," such as launching an inflatable dinghy, putting out a mock fire, weighing the anchor, dealing with a concussed crew member, and rescuing a man overboard.

Derek Arden and the department's assistant director, Barry Cole, deliberately did not take charge during these tests; they allowed other members of the team to assert themselves and assume command. This enabled the directors to see how their colleagues performed in different circumstances; the experience drew out many personal characteristics and leadership qualities which had remained hidden in the office.

Derek Arden thought it was important for him to participate in all the exercises like any other member of the crew so as to break down the office hierarchy – but he hadn't quite realised what he was letting himself in for.

Whether it was keeping the 4am to 6am watch, sleeping in the same cramped quarters as everyone else, cooking breakfast, or being strapped into a stretcher and being manhandled around the boat as part of an exercise, Arden was certainly part of the team. And his colleagues admired his enthusiastic participation, if not his culinary skills.

The ship was run in a highly efficient and authoritarian manner by the Captain and three officers from the Royal Navy and merchant marine. They had their tea brought to them first thing in the morning, and from then on they barked their orders to all irrespective of Barclays rank.

Compared with the bank's cosy management style, the ship's regime was as bracing as the force seven wind that gusted on the Sunday morning. It came as a shock to many, for example, when the Captain refused permission for one of the crew to leave the bridge to be sick. The ship had to be steered, the captain said, and it was the crew member's job to ensure that it was.

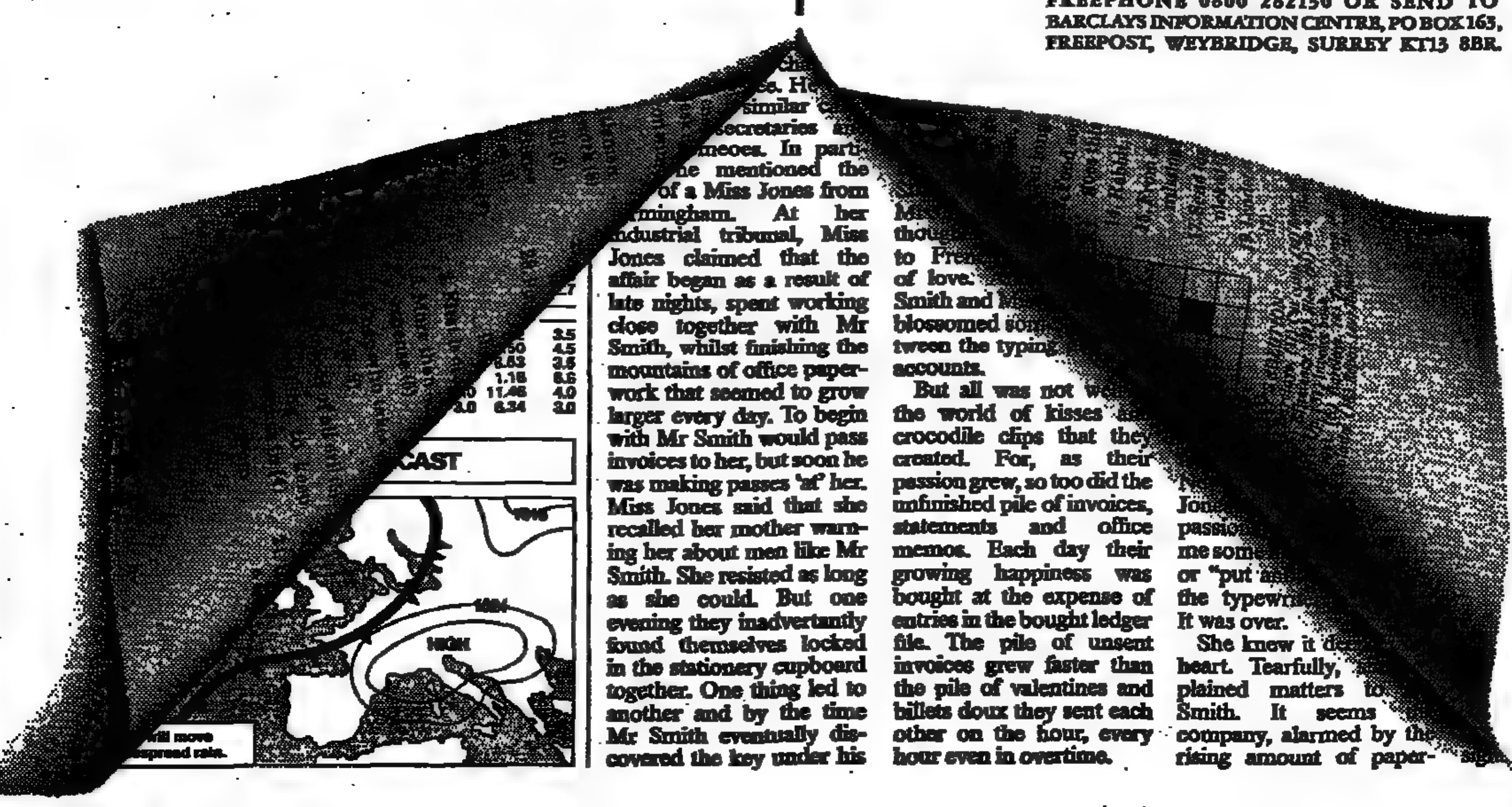
As far as the two directors were concerned, the expedition was a great success. They had learnt a lot about their colleagues and much about themselves. And all this was achieved, they said, for less than the cost of sending one person on a two-week internal course.

Apart from their struggles with sea-sickness, the team clearly enjoyed the experience and welcomed the chance to try their hands at new skills. For example, Jan Turner, the department's secretary, proved a dab hand at steering the ship through the rough waters of Ramsgate harbour having never even driven a car.

"Everybody came in on Monday morning with a warm feeling for the team and everybody appears to be more motivated. I can confidently say that we will see benefits coming through in terms of added co-operation. There will be a benefit to the bottom line – although it cannot be measured in pounds, shillings and pence," Arden says.

Although the department depends very much on the individual relationships built up between its members and their clients, some team work is involved in passing on contacts, sharing experiences, and sorting out back-room assistance, and it is in this area that Arden believes the benefits will be most clearly seen.

The team's unanimous verdict was that it was a "weekend well spent," although their wobbly legs on Monday morning persuaded them that next time they would prefer an expedition on terra firma.



FT LAW REPORTS

Saudi prince must pay judgment debt in court where case tried

MIDLAND INTERNATIONAL TRADE SERVICES LTD AND OTHERS v SUDAIRY AND OTHERS
Queen's Bench Division (Commercial Court): Mr Justice Hobhouse: April 11 1990

A DEFECTIVE affidavit sworn in support of an application for leave to serve proceedings out of the jurisdiction, does not necessarily invalidate leave; and where it fails to specify the particular subparagraph of the court rules under which leave was sought, the court may waive the irregularity if the nature of the claim is *clear from the affidavit itself* and the statement of claim.

And in giving summary judgment for enforcement of a foreign judgment, the court may include interest though the foreign law would not permit interest on a judgment debt, in that the court's discretion to award interest on a judgment debt is procedural, not substantive, and is therefore governed by the law of the court – in this instance, England – where the case for summary judgment is tried.

Mr Justice Hobhouse so held when refusing an application by the defendant, Prince Ahmed Bin Turki Al Sudairy, to discharge a writ served on him out of the jurisdiction by the plaintiffs, Midland International Trade Services Ltd, Midland International Trade Services (UK) Ltd, Eurodollar Credit Ltd, and other companies in the same group; and granting the plaintiffs' application for summary judgment on a claim for a judgment debt plus interest.

HIS Lordship said that under three contracts, two of which contained an English proper law and jurisdiction clanse, the plaintiffs provided finance to a Saudi Arabian company.

They proceeded in Saudi Arabia to enforce Prince Ahmed's liability on promissory notes and guarantees under those contracts.

The Chamber for Settlement of Commercial Paper Disputes in Riyadh found that Prince Ahmed was bound by his signature on the promissory notes and guarantees.

It ordered him to pay SR3,888,111 to the second plaintiffs and SR14,045,201 to the third plaintiffs. He appealed to the Minister of Commerce. The appeal was rejected.

The sums had not been paid. The plaintiffs' efforts to enforce the Chamber's orders in Saudi Arabia had proved futile.

The available enforcement agencies were *not effective* against a person in Prince Ahmed's position.

The plaintiffs served proceedings on Prince Ahmed out of the jurisdiction.

By amended points of claim, the cause of action *inter alia* was for a judgment debt arising out of the Chamber's decision.

The affidavit relied on by the plaintiffs to obtain leave to serve out of the jurisdiction stated that Prince Ahmed had "failed to honour the judgment" and that they sought "to sue on the judgment".

In the present proceedings Prince Ahmed applied to discharge the orders giving leave to serve out of the jurisdiction.

By cross-summons the plaintiffs sought summary judgment under Order 14.

The plaintiffs had requested leave to serve out of the jurisdiction under Order 11 rule 1(1).

The rule stated that leave might be granted if "(d) the claim . . . (iii)is . . . governed by English law . . . (m) . . . is brought to enforce any judgment".

Under Order 11 rule 4(1) an application for leave under rule 1(1) "must be supported by affidavit stating (a) the grounds on which the application is made".

The plaintiffs' affidavit expressly relied on the fact that certain agreements were governed by English law under *subparagraph (d)(iii) of rule* 1(1), but did not refer to or rely on sub-paragraph (m).

Prince Ahmed submitted that the proper law of the obligations was Saudi Arabian law, and that having regared to rule 4(1)(a), the plaintiffs could not support the order for leave by seeking now to rely on subparagraph (m).

The amended points of claim endorsed on the writ adequately pleaded a cause of action based on a judgment debt.

The affidavit disclosed a good arguable case of entitlement to enforce the judgment debt, and that good arguable case had not been displaced by further evidence.

The sole point on which Prince Ahmed could rely was the failure to refer to subparagraph (m) in the affidavit.

The affidavit expressly drew attention to the claim to enforce a foreign judgment.

It was an inescapable conclusion that leave was granted on the basis of sub-paragraph (m) as well as (d)(iii), though only the latter was expressly identified in the affidavit.

There was a failure fully to comply with rule 4(1).

Stating "the grounds on which the application is made" included identifying the subparagraphs relied on. It was a defective affidavit.

However, it was no more than an irregularity which did not invalidate leave or give a right to have the order discharged.

The court must have taken subparagraph (m) into account, though it was not expressly referred to in the affidavit.

The court clearly did not think it necessary that the plaintiffs should be required to swear a supplementary affidavit referring to (m); it was prepared to waive the irregularity.

For the same reasons the present court also considered that the irregularity should be waived.

In *Metall und Rohstoff [1989] 3 WLR 563,581* Lord Justice Slade said the Order 11 procedure was designed to ensure that court and defendant were "fully and clearly apprised as to the nature of the legal claim".

The documents in the present case satisfied those criteria. It followed that the application to discharge leave in respect of the claim for enforcement of judgment must fail.

The next question whether there should be Order 14 judgment against Prince Ahmed for enforcement of a foreign judgment. Only two defences were suggested.

The first was that the Chamber's decision was not a judgment of a court – it was merely a decision of some administrative tribunal.

The second was that Prince Ahmed's Saudi lawyer had submitted a case to the Grievance Board asking that the plaintiffs should submit accounts.

On the evidence Prince Ahmed had failed to show any credible case that the Chamber's decision did not give rise to a judgment debt which should be recognised by UK courts.

The same applied to the attempt to involve the Grievance Board.

On the evidence it could not succeed. It had all the hallmarks of being yet another attempt to avoid *manifest* liabilities finally determined by a competent court in Saudi Arabia.

The Riyadh judgment was unimpeached and must be recognised as a final decision of a court of competent jurisdiction giving *rise to a judgment* debt.

There was no reason why Order 14 judgment should not be entered.

The next question was whether the present court had a discretion under section 35A of the Supreme Court Act 1981 to award interest on the judgment sum.

It was argued that since no interest was payable on a judgment under Saudi law, interest could not be awarded by the UK court.

The point was whether section 35A had a substantive or procedural (remedial) character.

If it was procedural the *lex fori* (English law) should apply; if it was substantive, the proper law of the obligation should govern.

The view in *Dicey & Morris* was that section 35A was substantive in character (see rule 199(2)). It was supported in *Miliangos (No 2) [1977] QB 489.*

That approach was wrong. The reasons why section 35A should not be characterised as substantive were:
(1) There was no English law right to general damages by way of interest or otherwise for late payment of money (*see La Pintada [1985] AC 104*). The position was the same as in Saudi law.

There was no right to interest. Section 35A filled the gap. It was alternative to the substantive right, not a reflection of it.
(2) The section 35A power only related to legal proceedings. It did not alter the parties' contractual rights.

The section's opening words were "subject to Rules of Court in proceedings . . . before the High Court". The power was an incident of procedure, not substantive law.
(3) The power was discretionary. It did not have the character of a substantive right.

Section 35A was procedural, not substantive. The view in *Dicey, rule 199* and *Miliangos* could not be supported, unless confined to contractual right to interest.

Order 14 judgment was given, together with interest.

For the plaintiffs: Dominic Kendrick (Clyde & Co, Guildford)
For Prince Ahmed: Michael Collins QC and Colin Challenger (Dunlavey-Rosin)

Rachel Davies
Barrister

ARTS

Boris Godunov

BBC2 and RADIO 3

The joint television and radio transmission of Mussorgsky's opera from Leningrad on Saturday was an artistic event of the highest importance – at once a splendid and moving performance and an historical landmark. The staging used was the 1983 Covent Garden *Boris*, which had been the single operatic production of the great Russian film-maker Andrey Tarkovsky. Now, six years after Tarkovsky's death in exile, it was being borrowed for re-creation (under the Covent Garden directors Stephen Lawless and Irina Brown) by the Kirov Theatre.

This was a powerful gesture of reconciliation, masterminded by the Kirov's superb leading conductor Valery Gergyev: in more than one sense, it brought the opera home. *Boris Godunov*, that "entire world embodied in music" (as Stassov, the Petersburg writer on music, called it), is always an event in itself, every time it is revived. But its linked themes of the abuse of power and the fate of a nation can rarely have seemed as significant in the unfolding as they did during this performance, in the theatre where the work was first given.

Lines from Boris's monologue such as "The ruler of Russia, seated in absolute power, prays to the saints for consolation – the boyars plan rebellion, there are conspiracies in Lithuania" developed a frisson of topicality; the opera's raw honesty and grandeur of viewpoint appeared once again to give a glimpse of an entire nation convulsed by the forces of change.

Tarkovsky's production, which creates a single theatrical space in which palace and inn, monastery and public square, the "real" and the fantastic, can all be housed and integrated, looked magnificent on screen. It is, of course, a tragedy that his early death prevented the Tarkovsky *Boris* film that had been proposed by Abbado, the production's original conductor; but since the opera was filmed in the Kirov with a profound sense not only of Tarkovsky's particular purpose but of his own cinematic language, nothing of this *Boris's* peculiar eloquence was lost.

With all due respect paid to Covent Garden's own performance of it, which counted as one of the few Royal Opera highlights of the early 1980s, the gain here in communicative power, in verbal urgency, in chorus vitality, was startling. Kirov artists now familiar in Britain – Alexey Steblyanko (an immensely subtle and finely sung Grigory), Alexander Morozov (a warm, nobly uttered Pimen), Sergey Leiferkus (the most electrifying Rangoni imaginable) – found the "inward" Tarkovsky style without losing native stage magnetism. Olga Borodina's Marina introduced us to a young, ravishingly beautiful mezzo voice of whom we shall need to hear a lot more.

And to the title role (as in London in 1983) Robert Lloyd brought qualities of candour, directness of expression, psychological insight, musical distinction that can be taken to represent this production's great and singular achievement. He did not bestride the opera, in the Shalyapin-Christoff manner, but took his place as its most important component part, to the greater glory of the production and the whole work. This Kirov-Covent Garden *Boris* will eventually be made available on record and video.

Max Loppert

TELEVISION

Forward into the past with Satellite

The men from Granada fixed the BSB squarial beside the chimney late on Friday evening. From the ground, four storeys below, it looks remarkably small, and neater than the conventional aerials cluttering the skyline. Now there are five remote controls to get lost between the cushions of the old green sofa: one for the original television with its four terrestrial channels, one each for the two video recorders, one for the channels arriving via the Astra dish and the decoder which sits above the set, and the new one for BSB's five channels which necessitate yet another decoder, now stacked on top.

Since Astra's 16 channels include one in Dutch, five in German, and four scrambled (which we do not unscramble since there is already more television than anyone can possibly keep up with, never mind paying for individual programmes, or films to be precise) there are now 15 English language channels coming into the house, four from the ground and 11 from space.

BSB's Unique Selling Point is its ultra modern D-Mac technology, with stereo sound, hi-def capability for the day when someone starts marketing a high-definition TV set, and individual addressability: they can "address" each customer's set via the satellite, sending you, say, special pay-per-view programmes or presumably, if the reason arose, depriving you of the service altogether.

So guess which service gives the clearest pictures? Right: the old terrestrial networks, BBC1, BBC2, ITV and Channel 4. And the second clearest? Right again: the Sky channels using the fuddy-duddy old Pal system off the low-power Astra satellite. So far high-power BSB gives us a perfectly watchable yet definitely inferior picture with considerable graininess and occasional electronic rain.

Furthermore BSB is proving to be the proverbial straw: we now have so many signals running into the same outfit that we get "beat:" if you try to watch BSB while recording BBC2 on a video recorder, the BBC2 picture breaks up. The helpful man at Granada reckons this can be solved with a special switch. We shall see.

And the programmes from

'The Satellite Game' on BSB's Galaxy Club channel

the new BSB channels? Well, first it should be said with some admiration that all five are up and running: The Movie Channel, The Sports Channel, The Power Station (rock music), Galaxy (general entertainment) and Now ("The channel for living" which means current affairs, chat, gardening, and so on).

True, it is almost impossible for the ordinary customer to lay hands on a squarial, but if you do acquire one the pictures are easy enough to find. Within minutes of the Granada men's departure the entire Dunkley family was gathered enthusiastically around the set, engrossed in the Galaxy Channel which promises to provide "undiluted entertainment with a distinctive edge and unique style."

And which distinctive and unique programme were we watching? Well, actually, a repeat of *Dad's Army*. Yes, the BBC comedy series. To be precise the episode in which Captain Mainwaring, having taken delivery of a naval gun, decides that the bandstand will have to go in order to provide a proper field of fire. It is one of the best of the lot, but we must have first watched it 20 years ago, and the BBC has repeated it at least twice since then.

Next day on Galaxy we gave a miss to the old BBC series *Rentaghost*, *Grange Hill*, *The Goodies*, and *Till Death Us Do Part*, nor did we watch the old American series *The Incredible Hulk*, *Maude*, or *Naked City*. We did, however, have a look at *Hill Street Blues* and were delighted to find that – time and space travel being what they are – the BSB satellite had taken us back to a point where Michael Conrad was once again taking roll call as Sgt Esterhaus.

Best of all, we travelled back to a time when William Hartnell was playing a black and white *Dr Who* in front of a poorly painted cyclorama and the closing shot, with Carole Ann Ford quaking at the sight of a sink plunger entering from screen right, provided (I suspect) the first ever sight of a Dalek.

What all this proves is what we already knew from Sky One and suspected from Channel 4: that there is not enough money or talent in the television industry for new general entertainment channels to fill their schedules with fresh material. The best way to judge them is by the standard of those series which they do make for themselves, and for BSB it would not be fair to attempt anything definitive before sampling several weeks of their output.

Still, you cannot avoid first impressions, and with BSB the strongest feeling is that even their own original series nearly all look like more or less pale copies of other programmes. *Swing Shift* on The Power Station, for instance, looks virtually indistinguishable from those over-extended studio rap sessions about rock music which used to fill up *Night Network*. Many people might mistake Galaxy's *Intellect* for *University Challenge*. *Jools Holland's The Happening* could probably be swapped with *Saturday Night Live* without most viewers noticing.

Satellite Express presented by David Frost on the Now channel is like a cross between *This Is Your Life* and *Two Way Family Favourites* with fathers and sons, brothers and sisters using a satellite link to wave and weep across the rapidly shrinking east/west divide. At present BSB's news service looks like a primitive rip-and-read operation with no ambition to compete with proper news gatherers such as the BBC or ITN.

And *Jupiter Moon* is Galaxy's soap opera set in a space station which is so outstandingly bad – so much worse than *Neighbours* or *Emmerdale* – that it is almost impossible to drag yourself away. From Chantal's bust barely encased in a tight little cocktail dress (so handy on space ships) to the naff "hi-tech" sets, from the sub *Flash Gordon* plots to the dialogue ("Melody I know you're unhappy but please stop quoting Shakespeare at me – or is it John Lennon?") the whole thing is collectively dreadful.

Have I really found nothing that I liked? On the contrary, several goodies have turned up in the first few days. Saturday afternoon and evening on the Now Channel is devoted solidly to the arts. *Florilegium* was an engrossing documentary, presented by Robert Hughes (who gave us *The Shock Of The New*) about modern prints being made from the 18th century botanical studies collected by Joseph Banks. And, bought in presumably from somewhere, was the Royal Danish Ballet's version of Tetley's *Firebird*.

The Movie Channel looks promising, certainly better than its Sky counterpart. Had we had the time early on Sunday evening we would have watched the 1987 Bond film *The Living Daylights* and later on that night we did watch the recent movie version of the Profumo affair, *Scandal*, with Joanne Whalley as Christine Keeler and John Hurt as Stephen Ward. Galaxy has a slight but engagingly enthusiastic trivia/nostalgia show called *La Triviata* presented by Nick Hancock and Jo Brookes whose guest on Friday was Gerald Campion, or in other words the BBC's Billy Bunter from the early 1950s. *La Triv* could acquire cult status.

It is much too early even to begin to guess whether BSB or Sky will prove the more popular, and whether both will manage to survive. Obviously the satellite channels devoted exclusively to rock, sport and movies have no predecessors in terrestrial television and cannot therefore be compared. But the more we see of new mixed entertainment channels, the more impressive the old terrestrial networks look in terms of quality, variety, originality, and above all value.

Among those who have grown up with the terrestrial networks without becoming passionate fans of sport, movies or rock, it may prove remarkably difficult to inculcate the conviction that they should now fork out several times as much money as ever before on television in order to acquire such treats as *Jupiter Moon*.

Christopher Dunkley

French music in Prague

It is easy, when visiting Prague, to concentrate exclusively on Czech repertoire and forget that the city has always been open to other musical traditions. Like several other European capitals, Prague does have its blank spots – Wagner, Strauss and the German Romantics, for example – and the more popular Italian and Russian repertoire often falls victim to a hit-and-miss quality in performance. But the variety of repertoire on offer is commendable, especially if you take into account the limited exposure Communist rule gave to major Western artists and contemporary musical trends.

Since the war, one of the more notable developments has been the growth of interest in French repertoire. Charles Munch is well remembered for the concerts he conducted in the 1950s and early 1960s. More recently, Serge Baudo has become a regular guest, and Czech conductors have also became experienced advocates. So last month's festival of French music showed logic and enterprise.

It was very much a home-grown event – the only major visitor was Henri Dutilleux who talked about his music and attended a performance of *Ainsi la nuit* by the Moyzes Quartet. Music by Boulez, Ohana, Varese and Milhaud was also included. The opening concert was to have been devoted to Gounod's rarely-heard cantata *Mors et Vita* – but when it was decided that a tour to Paris by the National Theatre claimed priority over the scheduled soloists, a conventional orchestral programme of Debussy, Ravel and Berlioz was substituted.

With the exception of a break-neck, unpoetic account of the Ravel G major piano concerto by Boris Krajny, the concert was far from routine. Both the *Prelude a l'après-midi d'un Faune* and the *Symphonie fantastique* showed off the quality of the Prague Symphony Orchestra's wind principals, who have an old-world, central European combination of technical assurance, tonal warmth and musicality. This would have given ample pleasure in itself – but it was placed in proper context by the conductor, Oliver Dohnanyi, who allowed each score to breathe idiomatically. His account of the Berlioz was full-blooded in the Romantic tradition, without histrionics. British audiences will be able to make their own judgment on Dohnanyi when he conducts the Slovak National Opera's production of *Faust* at the Edinburgh Festival in August and Opera North's *Carmen* next season.

The same orchestra excelled itself again three days later in *Le Martyre de Saint Sebastien*. One of the joys of any encounter with a Czech orchestra is the uniform firmness and glow of the lower strings, which here provided a ravishing base for Debussy's instrumental palette. There were several distinctive features in this performance – the way it unfolded ion a single dramatic sweep under Bohumil Kulinsky, who showed an impressive command of the music's moods and colours; the blazing incisiveness of the massed choral forces, singing in clear French; and the Czech-language declamations of the emigre actor Jan Triska, making his first appearance on home ground for 18 years. Most orchestra managements would regard such a programme as a box-office risk – but not in Prague. A full and appreciative audience in the Smetana Hall was left in no doubt about the subtlety and refinement of Debussy's imagination.

Andrew Clark

The Provok'd Wife

EVERYMAN, CHELTENHAM

The play is properly presented, in Martin Houghton's enjoyable production, on a stage of 17th-century pattern, with a backstage available for special effect and proscenium doors on each wing. Less properly, but just as acceptably, the designer, Nettie Edwards, has decorated the stage, in places that make no interference with the action.

In place of the prologue, there is a brief representation upstage of Sir John Brute's marriage-night. Then he wakes from his snores and comes downstage for his opening lines, "What cloying meat is love, when matrimony's the sauce to it."

And off we go into a pretty straightforward production of Vanbrugh's comedy, happily free from imitation Restoration accents (except where they are written in the script) or exaggerated courtesies.

Lady Brute, ready for adultery, and her niece Bellinda, ready for marriage, are played by Tracie Elizabeth Gillman and Antonia de Sancha – perhaps too much alike, but what matter when they are both so delectable.

The other facet of female behaviour is in the hands of Eliza McClelland as Lady Fancyfull, whose behaviour is as cosmetic as the slap that masks her charming features; and of her Mademoiselle, for whom Tracy Sweetinburgh tenders her mischief in impeccable French and peccant English.

For the male sex, the colours are borne by Mark Chatterton as Heartfree, the woman-hater who falls for Bellinda as soon as Vanbrugh gets them in sight of one another, and Steve Weston as Constant, wearing the most enormous cuffs, who may be forgiven for trying to cuckold Sir John Brute when Sir John is such a monster (and anyway, as he tells us in his first speech, is tired of marriage after two years of it).

David Neal gives Sir John a slight Cockney accent and a maddening guffaw; he never overplays the drag scene, where (not for the first time) he is given a woman's dress to steal from the tailor, rather than a priest's robe.

The songs are left out, no loss for me, and Lady Brute's Cornet has changed sex, otherwise the text is played more or less intact, and spoken with the right blend of 17th-century gallantry and modern conversational nature.

Important speeches are made from down on the forestage. Clive Kneller is Sir John's valet Razor, and makes a lively job of his small but useful activities in the last scenes.

Incidental music comes mostly from Handel and Scarlatti. There is no Epilogue, not even Vanbrugh's apology.

B.A. Young

The ballets of Roland Petit in Paris

Roland Petit has been receiving a crescendo of somewhat belated recognition in his native Paris over the past month or two. First, his Ballet National de Marseille brought last summer's Italian success *Le Diable Amoureux* to the Théâtre des Champs-Elysées, then *Les Forains* formed the centrepiece of the Opera ballet school's annual show; finally, a triple bill of revivals triumphed at the Opera in April.

Seeing again three of Petit's early signature ballets – *Les Forains* (1945), *Le Jeune Homme et la Mort* (1946) and *Carmen* (1949), all staged with meticulous care makes it simple to understand why war-weary, drab Paris and London were so captivated by the originality, the chic charm and colour of these works. The most delicate and fragile of the three is undoubtedly *Les Forains*, Petit's first ballet, which weaves its web of magic with such seemingly simple materials. However, the evocative score by Henri Sauguet (played as probably never before at the school performances, by the Opera orchestra under Manuel Rosenthal's masterly direction) and the scenery and costumes by Christian Berard gave powerful aid to Petit's choreography for the group of travelling performers. Petit's guiding hand at rehearsals moulded the students (from the top two classes of the school, 15 or 16 years old) into giving sensitive as well as cleanly danced portraits of the characters, despite the force of nostalgic memories of the original cast that we saw at the Adelphi Theatre in London in 1946.

None of the ballets given by the resident company at the Opera had been performed there before and they were all danced magnificently. The evening opened with an abbreviated and reworked version of Petit's Debussy ballet for the Marseille company, now called simply *Debussy pour Sept Danseurs*. Without scenery and to piano accompaniment, this served to remind audiences that Petit can choreograph just as effectively without a narrative or scenery to support the dancing. The sometimes playful, sometimes lyrical, prelude danced by Fanny Gaida and Lionel Delanoe was particularly satisfying. The explosion of *Carmen* followed after the interval.

In a brief note reprinted in the programme Petit refers to the atmosphere in the Princes Theatre on that first night just over 40 years ago. Even now, when the sensuality is no longer a novelty, seeing it with the wondrous colours and designs renewed in their full splendour arouses excitement that extends to the whole ballet, which received a superb performance. It is unnecessary to say that no-one will ever quite equal Zizi Jeanmaire, but Isabelle Guerin succeeds amazingly well. She has the long, slim legs that are a first essential, and she has succeeded in acquiring (with an inevitable Zizi-like haircut) a credibly daredevil sensuality that understandably maddens and inflames Laurent Hilaire's good-boy Don José. There are numerous splendid young male dancers at the Opera, but Hilaire is unequalled among them, not only for his lightness and precision, but for his versatility and interpretative sensibility.

Wilfried Romoli, who danced excellently in the Debussy work, obviously enjoyed performing the role of the fatuously vain and posturing Escamillo and came the closest I have seen to the role's creator, Serge Perrault. Virginie Kempf, Delanoe (in the Teddy Rodolphe role) and Stephane Elizabe made an impeccable trio of brigands. It was obvious that all the dancers enjoyed performing this ballet, which leads one to hope that the Opera will programme more Petit works in the future.

Despite the great pleasure of seeing again Wakhevitch's magical Paris rooftop scene in the second part of *Le Jeune Homme et la Mort*, the work was uncomfortably placed at the end of the programme. It obstinately remains Jean Babilee's. But Kader Belarbi succeeded very well in the role of Jean Cocteau's despairing and lovelorn young man (with elegant Marie Claude Pietragalla). Like the scenery, which was "after Wakhevitch" the costumes were "after Irene Karinska" but although the dungarees did not exactly resemble those worn by Babilee at latest they came close and the girl'death's costumes closer still, a particular pleasure and relief after seeing a very approximate version in Rome a few weeks earlier, with only a chair or two as scenery. To see the genuine garret again after so long was like a revelation: as with *Carmen*, this loving and immaculate revival showed how rash it is on Petit's part to allow so many rough and imprecise productions of his works. As the Opera company is not only very large but contains the cream of French dancers (other than Dominique Khalfouni, Petit's "deserter" Marseille ballerina, who has no substitute in Paris), we are unlikely to see either of these two memorable works better done than in these splendid revivals.

Freda Pitt

ARTS GUIDE

April 27-May 3

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding fare (734 8951, cc 836 2428).

Jeffrey Bernard is Unwell (Apollo). Tom Conti has taken over as the alcoholic journalist who embodies a Falstaffian, naysaying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing, Ned Sherrin directs (437 2663).

Another Time (Wyndham's). New Ronald Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Maida Vale. Albert Finney plays father and concert pianist son across 35 years, suggesting that talent is a means of escape and a reason for not going back. Janet Suzman and Sara Kestelman are electrifying in support (867 1116).

Shadowlands (Queen's). Four-tissue weepie about the love affair between crusty Oxford writer C.S. Lewis and the cancer-riddled American poet Joy Davidman, which pushes both Nigel Hawthorne and Jane Lapotaire into the awards stakes. William Nicholson's play is irresistibly emotional. Elijah Moshinsky's direction is superb (734 1166/439 3849).

Stuttgart

Makal City Theatre, Marienstr. 12. Peter Makal, director of the Stuttgart-based International Festival of Mime, now in its eighth year, has put together a truly world-class programme. Founder of the Makal Theatre, he will present a dozen specialist groups and artists from eight countries, includingthe Soviet Union, East Germany and Hungary as well as Chile,Australia, France and the US. Ends June 4 (0711/632208).

New York

Cat on a Hot Tin Roof (Eugene O'Neill). Kathleen Turner, whose statuesque good looks embody Tennessee Williams' vibrant character Maggie, is surrounded by an excellent supporting cast in Howard Davies' production.

Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself (246 0102).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to at least shake the bones of this inert depiction of lives crisscrossing in an elegant, but somewhat random setting (246 0102).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Serafina (Kennedy Center Opera House). The spirited teenage cry for freedom, including shrill enactments of police brutality, brings the hyper-reality of South Africa home with a lively beat. Ends May 27 (467 4600).

Chicago

Uncle Vanya (Goodman). Michael Maggio directs John Mahoney in David Mamet's new adaptation of the Chekhov classic. Ends May 26 (443 3800).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

I'm Not Rappaport (Briar St). Shelley Berman, one-time standup comic, now plays Nat, Herb Gardner's memorable Central Park character who gags his way through the 1986 Tony Award winner (348 4000).

Fraternity (Pegasus Players). Jeff Stetson's political drama focuses on the civil rights movement of the 1960s and 70s to explore issues of principle and compromise. Ends June 3 (271 2638).

A Chorus of Disapproval and The Beggars Opera (Court). With clever scheduling, Alan Ayckbourn's comedy about putting on *The Beggar's Opera* appears in repertory with the work itself. Ends May 27 (753 4472).

Elliott Loves (Goodman Studio). Director Mike Nichols teams up again with writer Jules Feiffer to explore middle-aged love with the eponymous hero, who makes the mistake of introducing his new love to his old friends. Ends May 13 (443 3800).

Tokyo

Kabuki. Kabuki-za (541 3131). Performances this month feature two leading onnagata (specialists in female roles), as well as a traditional name-taking ceremony. The highlight of the 4.30pm show is a famous scene from *Meiboku Sendai Hagi (The Disputed Succession)*, one of the classic "loyalty plays" of the Japanese theatre. Earlier, at 11am, Living National Treasure Utaemon VI plays his greatest role, as a mother driven to distraction by the death of her son, in *Sumidagawa (Sumida River)* – before a European tour and possibly for the last time in Japan. Excellent earphone guide in English. Ends May 27.

Noh. Ataka: the famous story of the servant Benkei and his lord Yoshitsune, who disguise themselves as itinerant priests to pass a military checkpoint. Known also in kabuki as *Kanjincho*. National Noh Theatre (Wed at 1pm) (423 1331).

SALEROOM

Bunker Hunt boys to sell

Nelson Bunker Hunt and his brother William of Texas are notorious for their amazing bulk and their imaginative attempt to corner the silver market in the 1970s. Less well known is their deeply hidden artistic side. Both are collectors and now they are sellers: Nelson disposing of his magnificent collection of ancient coins and Greek vases, William of his ancient bronzes and Byzantine coins (the largest group in private hands). The Hunts should be over \$20m (£12m) richer after the clear out which starts at Sotheby's in New York on June 19th and continues over a year.

Coins have proved a poor investment. In 1974 Nelson Hunt's star item, an Athenian Dekadrachm, sold for a coin record of \$272,000. It is now estimated at between \$300,000 and \$500,000. The best vase is from the "Berlin Painter" and could sell for \$150,000. An Etruscan bronze horse carries a similar estimate for William, as does a bronze head of Zeus dating from around 200 AD.

ICI Business Ratios has just completed a report on the financial performances of the auction houses and over 80 leading dealers. Obviously the former are doing better than the latter, which is reflected in their profit margins – 31.7 per cent in 1988-89 for the salerooms as against 10.6 per cent for the dealers. By far the best performing dealer was the Waddington Galleries, which on a turnover of £23.1m (beaten only in size by Spink with sales of £34.2m) produced a return of capital of 43 per cent. As far as many dealers go the research suggests "some companies do not appear to be in thebusiness to make money."

Country house sales invariably do well and Christie's South Kensington's dispersal at Nostell Priory in Yorkshire was no exception. The two days brought in £960,061 with virtually everything sold. The total was almost twice the forecast. The best furniture in the house, by Chippendale, was sold, thanks to the National Heritage Fund, to the National Trust in 1986, and the money raised has enabled the inhabitants, the Winn family, to keep the house going. There was some disquiet when they decided to raise more money by disposing of some of the remaining furnishings.

Top price was the £71,500 (top estimate £20,000) paid for two late Regency rosewood breakfront side cabinets in the Grecian style created for the breakfast room around 1820 by Thomas Ward. An alabaster cinerary urn, after the antique but of the 18th century, sold for £26,400 as against a top estimate of £5,000.

Antony Thorncroft

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Balancing act for Mr Bush

GOOD NEWS is rare in the *Middle East, and the release of* two US hostages by pro-Iranian Lebanese kidnappers in the last 10 days is therefore all the more welcome.

At face value, it is also somewhat mysterious. Unlike his French and Belgian counterparts, President Bush has so far won the release of his citizens without any obvious concessions to kidnappers or their backers; he did not send Mr John Kelly of the State Department to Damascus as demanded by Mr Robert Polhill's captors, although he has thanked Iran and Syria and held out the possibility of improved ties with Tehran after all the hostages have been freed.

Hizbollah, the Lebanese organisation which now scarcely conceals its involve*ment with kidnappers, wants* more than kind words from Mr Bush in return for a continued dribble of captives coming out of Lebanon. President Hashemi Rafsanjani of Iran needs political ammunition to convince his radical opponents at home that the release of western hostages is a worthwhile exercise. Syria wants credit too.

Still smarting

The problem is that Washington, still smarting from the Iran-Contra affair, may have gone as far as it can without breaking its promise not to negotiate with kidnappers. Already US officials have held indirect talks with their Iranian counterparts in Geneva, and discussions at the Iran-US claims tribunal in The Hague (*established as part of the 1981* deal to free the 52 US Embassy hostages in Tehran) seem to be going remarkably well. Iranians say that Voice of America, the US radio network, has toned down its criticism of Iran in recent weeks. When, therefore, does a goodwill gesture become a concession?

Despite American hopes to the contrary, the outcome of the hostage crisis still appears to depend on the west's response, however disguised, to the kidnappers' demands, however revised. Some of the most important of these demands concern Israel. Hizbollah wants the west to put pressure on Israel to free an estimated 300 Lebanese and Palestinian prisoners, including its own Sheikh Abdel Karim Obeid, seized by Israel last year. Iran, Syria, Hizbollah and the Arab world in general are also incensed about Soviet immigration to Israel, the concomitant threat of further Jewish settlements in the occupied territories and the recent resolutions in the US Congress supporting Israel's claim to the whole of Jerusalem.

Israeli involvement

The involvement of Israel does not in itself block progress towards the release of hostages. Indeed Israel has never had *qualms about dealing with* kidnappers, and wants to use its captives as bargaining chips for the return of its missing servicemen in Lebanon. The dangers are that Lebanese fac*tions* will insist on regarding the Israelis as prisoners of war who cannot be equated with civilian hostages, and that Israel will press for political concessions from Washington in addition to the return of its soldiers. Such a network of demands and counter-demands could stall both the hostage discussions and the already glacial progress of the Middle East "peace process."

Middle Easterners argue that the west is unhealthily obsessed with its remaining 15 hostages; the world all but ignored the burning to death of 15 Lebanese – including 11 children – in a Beirut bus on the same day last month that Mr Polhill's release was decided by the Islamic Jihad for the Liberation of Palestine.

The liberation of western *hostages, however, has signifi*cant implications for the Middle East, especially for Iran. With all the hostages free, Iran should eventually be able to restore relations with the US and Britain. It could then rebuild its economy with western help, leaving Iraq in the diplomatic doghouse it has so far avoided because of its role as a counterweight to Iranian extremism.

Hostage-takers have gained very little from the kidnappings of the past decade, but the entire region has much to gain from an end to the crisis, whether or not Mr Bush is accused of being too soft on Iran, Syria and Hizbollah in his attempts to resolve it.

UK industry's open goal

A TOUR round the best British factories confirms that industry has changed over the last decade. More flexible working practices, among smaller workforces, using new technology, are becoming commonplace. Productivity has risen and quality improved. Stocks are more tightly controlled and sub-contracting has become more sophisticated. Many companies *are more clearly* focused on what they do best. Management is more professional and determined.

Yet the Confederation of British Industry's warning that high wage settlements, slowing productivity growth and rising unit costs will eat into profit margins in the coming year, suggests that some of the economy's weaknesses remain.

This is not a result of a lack of attention. The labour market has been subject to a battery of reforms, by Government and companies. The question is whether these have put British industry into a position to prevent a profit squeeze from tipping the economy into a recession.

The performance of profits over the coming year could determine whether the economy is brought to an abrupt halt. For companies look uncomfortably overstretched already.

Company liquidity is at the the low point it reached during the last two recessions. Even if cash-financed takeovers came to a complete halt, the level of corporate borrowing would be running at record levels. The ratio of interest payments to after-tax income has risen by 10 percentage points in the last year, towards peaks recorded in the trough of the recessions of 1974 and 1980.

Soft landing

It all looks bleak. But as long as profits do not collapse in the way they did before the last two recessions, the economy could yet land softly.

Industry now has a more comfortable profits cushion than in the 1970s. Leading British companies have internationalised their operations so they are less exposed to a slowdown in the UK. Earnings from overseas affiliates account for almost 40 per cent of the profits of the quoted sector. The opening of the UK to international competition may have allowed higher import penetration but it has also made companies more able to compete overseas. Britain's share of world trade in manufactures has stopped *falling*.

Manufacturing companies in the traded sector bore much of the brunt of the recession of the early 1980s. Earnings generated from exports and over*seas affiliates will help interna*tionalised manufacturing companies over the next year. In contrast the companies which are suffering most are heavily reliant on the UK market, particularly on housing, property and retail sales.

Profit squeeze

However the profit squeeze on manufacturing has probably been delayed rather than postponed. The response to this squeeze will be swifter and more professional than it was in the 1970s. But the signs are that British companies will *merely do better what they* have traditionally done.

Despite sweeping reforms most of the adjustment to lower growth will be borne in employment rather than pay settlements. Many of the obstacles to the introduction of more flexible working practices have been dismantled. But the price was acceptance that – despite decentralisation of collective bargaining, profit-sharing and performance related pay – money wages would remain resistant to downward pressure.

At least, the response to rising unemployment may be more effective than it was. Many of the unemployed of 1980 were middle-aged men who had worked most of their lives in manufacturing. More *of the people who lose their* jobs in 1990 may be in the service sector and so show more mobility and flexibility. The training and job placement system should be better equipped to ensure that the newly jobless do not fall into long-term unemployment.

British industry is like an improved football team, without a goal keeper. It still lacks an approach to employee relations and pay bargaining which will allow it to respond to slower growth without adding to the Restart mailing list.

The Government's tough stance on strikes may precipitate the unrest it was intended to suppress. **John Ridding** reports

In South Korea, bumps follow boom

South Koreans rarely do anything by halves. Whether pouring garlic into the local cabbage delicacy of kimche or running riot through downtown Seoul, notching up the world's strongest economic growth or taking the stock market through the floor, Koreans give it all they have got.

Maximum fervour is now being applied to the art of being pessimistic – in marked contrast to 1988 when the successful staging of the Olympic Games engendered excessive optimism and a belief that the good times would last forever.

Pessimism, like success, has to be worked at. At a local branch of a Korean securities house last week, depressed investors staged a shamanistic ritual for the recovery of the stock market (which had just recorded its largest ever fall in points). Elsewhere in Seoul, investors demolished brokers' offices in protest at the market's decline. Housewives, discovering that increased dividends are not automatic, physically attacked their brokers when the invested housekeeping money failed to multiply into new designer dresses and other luxury consumer goods for which the Koreans are developing a voracious appetite.

These events are signs of a deeper crisis of confidence surrounding the economy. The stock market, the clearest indicator, has fallen by more than 30 per cent since its high point in *April last year, and in the last week it* has set two records for one day falls.

What seems strange is that such perceptions, and the virtual collapse of the market, should coincide with official forecasts of 7 per cent real economic growth. Even in South Korea, the economic miracle of the 1980s where double digit growth has been the norm, such a coincidence takes some explaining.

The most immediate reason for the anxiety is the re-emergence of industrial unrest. The bulldozers which smashed workers' barricades at Hyundai's shipyard last weekend, heralding a suppression of a three-day old strike, also shattered the relatively peaceful industrial relations climate which had prevailed so far this year.

Unrest has spread to other subsidiaries of the Hyundai Group, one of Korea's largest conglomerates and, more worryingly, employees in several other companies have also expressed intentions to launch sympathy strikes. Industrial unrest has also hit the two national broadcasting networks, and KBS, the state network, was raided by police on Monday night.

*It is too early to predict with confi*dence whether the scale of disruption will extend to levels seen in previous years. Many analysts are holding to their original opinion that this year will be relatively peaceful on the industrial relations front. A general strike called yesterday by Chonnohyop, a radical labour group, failed to gather much support, giving support to this view.

In addition, the disturbances are of a different nature from the wave of disputes in recent years. This year, the strikes have largely been in response to government actions and a tougher official stance on labour unrest. The strike at Hyundai was triggered by the arrest of union leaders while the action at KBS was the result of the Government's appointment of a President deemed unacceptable by the workers.

The danger is that the Government's tougher line may add fuel to the fire. "The present trouble reflects government rather than union strength," says one labour analyst, "but that doesn't mean industrial relations will be more peaceful."

Large-scale, violent industrial dis*putes in South Korea tend to damage* both the economy and general confidence in the country's business community. Last year's disputes wrought damage which lost the economy production worth an estimated 3.5 per cent of GDP.

In explaining the pessimism, broader social and economic issues are just as important. Not the least of the problems is the high expectations which Koreans have come to hold. "Seven per cent growth may be good, but it is half of what what we are used to," says Mr Hwang Lee Seok of Prudential Bache securities. "For Koreans, the speed of the fall came as a big shock."

The specific problem causing anxiety is South Korea's flagging foreign trade. Exports, the engine behind the country's rapid industrialisation, have fallen so far this year after meagre gains in 1989 and, as a result, the country recorded a current account deficit of more than $1bn in the first quarter.

This is not a blip on the graph. It reflects a sharp loss in competitiveness, courtesy of the falling dollar in 1988 and 1989, the collapse of the yen this year, sharp increases in wages since the advent of democracy in 1987, and slowing demand in Korean industry's principal markets.

The effects are seen clearly in Korea's main export commodities. Consumer electronics exports fell by almost 8 per cent last year, while shipments of cars fell by almost 40 per cent. "Our price advantage over Japanese cars has been severely eroded," says Mr Robert Stramey, executive vice president of Daewoo motors. "The trend has been for consumers to switch to perceived higher quality Japanese models."

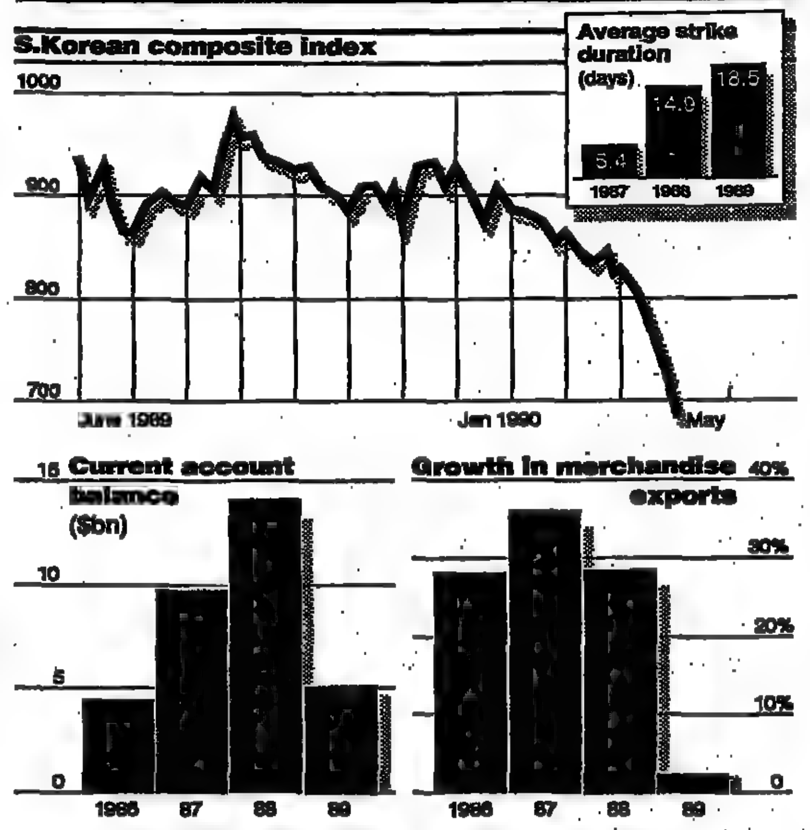
Similar problems can be detected across Korean industry. Products which used to be cost-competitive are now facing pressure from both higher-quality Japanese goods and lower-cost producers in south-east Asia. Korean exporters are left wondering where their comparative advantage now lies.

Inflation and speculation in non-productive investments have also *shown a worrying increase. Korea's* consumer price index, which understates the real level of inflation, is already approaching the government's annual target of 5-7 per cent increases and seems likely to approach double figures. Speculation in real estate has pushed land and rental prices up sharply.

Both these factors have increased social tensions.

It has not escaped the notice of the under-privileged that much of the speculation has been conducted by the *chaebol*, the large conglomerates which dominate the economy – further increasing obvious disparities of wealth and property ownership. Almost 60 per cent of Korea's land is owned by just 5 per cent of the population.

To make matters worse, the Government does not appear to have a clear policy line. One economics team, favouring liberal policies and a more equitable distribution of wealth, has been sacked from the Cabinet as scapegoats for the so-called economic "crisis." The new team has reverted to old policies supporting export growth, easing credit restrictions on *the chaebol and abandoning* plans to force disclosure of the real identities of those conducting financial transactions instead of allowing them to hide behind false names. The public remains unimpressed by this hopping to and from opposite economic policies with an increasing air of desperation.



Sources: Datastream, Korea Labour Institute, Economist Intelligence Unit

For the moment, such contradictions do not present a serious challenge to the Government. The opposition has been too divided and the dissident groups too weak to capitalise on the issue and the Government enjoys a commanding parliamentary majority, following a merger between the ruling party and two opposition parties in January.

None the less, in Korea's fiercely egalitarian society growing wealth disparities could provide a focal point for opposition. "There is a direct relation between the housing problem and labour and social unrest," says a *senior official at the Economic Plan*ning Ministry.

Real as these social and labour relations issues are, many observers believe that talk of an "economic crisis" has been overblown. "All of the indices are showing improvement," says Mr Don Lee, an analyst at Ssangyong Securities. "I am frustrated by the continued loss of confidence." Optimism was also expressed in a recent report from the influential Korea Development Institute, which forecast that the economy would begin to revive from its slowdown in the second quarter of the year.

Such arguments are echoed by officials at the powerful Economic Planning Board. They claim that the rapid growth rates enjoyed during the late 1980s were the result of a special set of external factors which could not be expected to endure. More fundamentally, they say slower growth is inevitable as the economy restructures to a *more capital*-intensive, higher value-added industrial base.

It is only natural, the argument goes, that domestic demand should be playing an increased role as the economy matures. The consumer boom is a logical expression of relative wealth after years of economic sacrifice.

Competitiveness will be helped by the fact that nominal wage increases have generally been held to single figures.

None the less, many of the structural adjustments necessary to ensure Korea's passage *to the next stage of* development will not be easy. "My concern is not that we saw growth fall to 6.7 per cent last year," says an economic adviser to President Roh Tae Woo, "but that if the necessary changes are not made then growth will slow a lot further." In support, he points to the expected slowing in the growth of domestic demand, which is driving the economy, and the remarkable boom-slump nature of Korean growth over the past 15 years.

The most important adjustment is increased efficiency and the production of higher quality, more capital intensive goods – a process achieved with such success by Japan. Korea can no longer be the cheapest producer and faces increasing competition from emerging manufacturers in south-east Asia. At the same time, labour intensive industries need to relocate to cheaper production bases.

There is a *widespread feeling* that such adjustments have been too slow and that a golden opportunity was missed during the 1980s. "Korean industry didn't invest enough in R&D and product development during the boom years and as a result the technology and quality of their goods have failed to keep up with the price," says the Economic Planning Board official.

But industry does now seem to be responding. First quarter figures from the Bank of Korea indicate a 24 per cent rise, year on year, in plant investment and R&D budgets have been expanded. Many of the larger companies have shown impressive gains – Samsung electronics surprised most with the early mass production of 4M-Bit D-Ram semiconductors and Hyundai Motors is now self-sufficient in most areas of automobile design and manufacture.

Overseas production facilities have mushroomed as producers seek lower labour costs or to avoid protectionist barriers. "1989 showed that there was a limit to how far Korean companies could go on cheap, volume products and even small and medium sized industries have started to adjust," says Mr Thae Kwarg of Barings Securities.

Structural weaknesses remain. Some of the *chaebol* appear oblivious to the clear danger of overcapacity in *some industrial sectors. Two of the* largest *chaebol*, for example, are expanding into petrochemicals in spite of the fact that there is already near-overcapacity.

But perhaps the biggest weakness remains in the field of industrial relations. Even if this year proves more peaceful than recent years, the strikes notwithstanding, it will not represent a permanent solution to the conflict between management and labour. The relationship between management and workers remains antagonistic, and the delicate process of consultation and bargaining is still in its infancy. "Worker management relations are too closely linked to the economic cycle," says an official at the Federation of Korean Trade Unions, "and when the cycle moves as fast as it does in Korea then it leads to instability."

A more mature industrial relations system, like the other adjustments facing the Korean economy, will take a matter of years rather than months to implement. The danger is that emphasis on short term growth will exacerbate some of the real problems facing the economy – in particular, *inflation* and the widening disparities in wealth. More immediately, the government's tough stance on strikes may precipitate the unrest it was intended to suppress.

OBSERVER

The football lobby

■ *In the old days, when* industrial disputes were two a penny, it used to be the labour correspondents who formed themselves into a cartel. They would have a line to trades union leaders, which would regularly appear in the newspapers. Sometimes they would have lines to the Department of Employment as well, and before that the Ministry of Labour. Sometimes it seemed that the department and the unions were in cahoots. Anyway, the rule was that we learned about industrial relations only from labour correspondents.

Diplomatic correspondents sometimes fall into a similar category. They take their line from the Foreign Office, and anyone who gainsays it must be wrong. Lobby correspondents are fed by No 10 Downing Street, though to their credit they sometimes put up resistance.

The really underprivileged category, one always thought, was the football writer. Some of them are serious people, treating football almost as if it were poetry, yet obliged to use such phrases as: "It is reliably understood from sources close to Bobby Robson, the England manager . . ." Occasionally they have even suffered the indignity of having to conduct interviews in car parks and have had to scrabble *for a notebook*.

All is now being rectified. The Football Writers' Association and the Football League have agreed on a strict code of practice which, they say, "will carry heavy penalties for offside behaviour."

There will now be formal, post-match press conferences for an experimental 12-month period, all of them conducted in a "proper environment." A new complaints panel will be chaired by Denis Howell, the former Labour Minister of Sport, once known as Mr Rainmaker. The panel will *have powers first to warn and* then to expel members who deliberately misquote the football authorities or fail to corroborate hearsay evidence.

Who said that the press was incapable of putting its own house in order?

Palace man

■ Charles Anson says he was too modest to tell us that he was about to be named the Queen's new Press Secretary when we lunched with him at Kleinwort Benson last week. He also says that even then everying had not quite fallen into place.

Anson is a former Foreign Office man who had a spell in the Press Office at 10 Downing Street in the last few months of James Callaghan's premiership and the first year or two of Mrs Thatcher's. He came across the Royal Family when he was at the British Embassy in Washington in the early 1980s and helped to organise the Queen's visit to the West Coast.

At Kleinwort Benson the other day, he was telling us how pleased everyone was the merchant bank had managed to stay out of foreign hands and would predicted that it would continue to do so. Like the monarchy, it is a very British institution.

Incidentally, the Foreign Office's grip on the Palace's public relations seems to be becoming a convention. Michael Shea, a previous press secretary to the Queen, was a Foreign *Office* man. So is the outgoing press secretary, Robin Janvrin. Oliver Everett, once one of the bright young men in the Foreign Office, went off to be private secretary to the Prince of Wales, then the Princess of Wales as well, and is now the librarian at Windsor Castle and the assistant keeper of the Queen's archives.

Meanwhile, Anson, who takes over in July, is mindful that one of his most delicate tasks will be watching relations between the Palace and the tabloids. By then we should know whether the Calcutt Committee is recommending a new law on privacy.

Incestuous

■ The success of televising the House of Commons has highlighted an incestuous streak among broadcasters. When the Hansard Society published its study of the *experiment at a press confer*ence this week, print journalists could hardly move for cameramen filming the participants, reporters and themselves.

The most revealing evidence, however, is in figures for coverage of the Commons standing committees, which scrutinise legislation line by line.

In the period up to Easter, television cameras covered six out of 30 sittings of the controversial National Health Service and Community Care Bill. The Student Loans Bill – which had a tough ride through the House of *Lords* and which, like health, covers a subject of some popular interest – was recorded only once out of 17 sittings.

The Broadcasting Bill was televised 16 times out of 38 sessions.

Geoffrey's

■ Lionel Lee, one of the great City barbers, died in hospital in Tel Aviv during Easter week at the age of 76. He was one of those legendary figures who cut everyone's hair from the Governor of the Bank of England downwards. A friend who knew him in the war said that even then he was a cockney wide boy who knew everyone and would cut officers' hair for nothing. That friend advised Coutts to lend Lee the money to buy Geoffrey's Hair in the Royal Exchange around 1965. He was still cutting hair there until just before he died. All his friends are anxious for the City to know that a memorial service will be held at St Michael's, Cornhill at noon on May 23.

Heard Hurd

■ It is probably only coincidence, but every time you turn on a BBC news programme nowadays, you tend to hear the dulcet, utterly reasonable tones of Douglas Hurd, the Foreign Secretary. There he was again on the World at One yesterday, talking about the hostages in the *Middle East*. On Sunday it was the European Council in Dublin. This cannot have entered his mind, but if by any chance there an election for the Tory leadership relatively soon, he might even win on the first ballot.

Labour record

■ Overheard on Brighton beach at the weekend: "If Labour gets back in, it will be just like the 70s, mark my words. The first thing they'll do is go to MFI for a loan."

Figures that do not add up

Auditors are under increasing pressure, reports David Waller

"The general ability to rely on audited accounts is fundamental to the conduct of commercial business," wrote Sir Derek Alun-Jones, chairman of Ferranti International, in his report to shareholders in November last year.

Many businessmen would agree with this commonsensical statement. But the extent to which they ought to rely on audited accounts has been called into question this year by a series of events which have left the UK's auditing profession somewhat in bad odour.

Some months after Sir Derek wrote to his shareholders, Ferranti delivered a writ to KPMG Peat Marwick McLintock, alleging that the accountancy firm had been negligent in its audit of International Signal & Control, a company bought by Ferranti for £420m.

The gist of Sir Derek's complaint was that ISC's accounts for the year before the takeover were wrong. And yet those figures, and the profits record they showed, provided the basis for Ferranti's decision to go ahead with the takeover.

The second blow to the standing of auditors was the House of Lords decision in a long running battle between Caparo Industries, the private holding company, and Touche Ross, the accountancy firm. Caparo won a takeover battle for Fidelity, the consumer electronics group, in 1984. It later claimed that Fidelity's accounts, which showed a profit of £1.3m, should have recorded a loss of £460,000.

The accountancy profession watched with bated breath as the case worked its way through the courts. At stake was an important principle: the extent of auditors' liabilities to those who base investment decisions on audited accounts.

In February, the House of Lords ruled that auditors do not have a duty of care to third party investors. At first accountants were gleeful: the decision sharply reduced the chance that auditors could successfully be sued by those who did rely on audited figures.

But glee soon gave way to consternation: the Caparo decision has forced many investors and finance directors to ask whether auditors fulfil any useful function at all. With audit fees under pressure already, the consequences could be dire for the accountancy profession.

The third blow to the standing of UK auditors came last month, when another chairman was ruminating on the costs of relying on audited accounts. This was Sir Peter Thompson at British & Commonwealth, who told shareholders about the company's £415m acquisition of Atlantic Computers in 1986.

Sir Peter said that Atlantic's accounts for 1988 contained "material errors" and profits and assets for that year were overstated, with the result that prospects for future profits were "substantially diminished". Just how diminished became clear later when Atlantic was put into the hands of administrators.

The chairmen of B&C and Ferranti are not the first businessmen to complain about auditors and audited accounts: the then Mr Arnold Weinstock, chairman of General Electric Company, did so in the late 1960s after his takeover of Associated Electrical Industries.

But this year's events have led to a perceptible widening of the so-called "expectation gap", a phrase used by accountants to describe the divide between their strict legal responsibilities and the expectations of the business public. The gap may well widen further as the UK economy slows and more corporate failures reveal the inadequacies of audited accounts.

By law, auditors are required to do no more than express an opinion that accounts are "true and fair". They are not required to detect fraud. The process of auditing involves checking a sample of a company's transaction and testing systems, not verifying the figures to two decimal places.

In practice, businessmen risk vast amounts of shareholders' money on the theory that audited figures give a strictly accurate picture of a company's financial health.

The accountants' response to the problem has been limited: they are torn between a natural desire to limit their exposure to litigation, and a need to preserve their standing in the eyes of the business public.

The profession has extended the rules covering the reporting of fraud to regulatory authorities, and there are now moves afoot to extend the auditor's report so that it says more than that, in the auditor's opinion, the accounts are true and fair. The financial reporting environment will be tougher once the Financial Reporting Council replaces the Accounting Standards Committee this summer. The new body will have new powers and a far bigger budget to ensure that companies comply with accounting standards.

These initiatives cannot hope to tackle the practical problems faced by managers when they bid for quoted companies. As Mr Martin Taylor, deputy chairman of Hanson, observes: "It is impossible to do other than rely on audited accounts. Once you start nosing around for other kinds of information, you would immediately show your hand."

The difficulty is that under the Takeover Code, companies are not obliged to furnish would-be predators with information beyond that contained in the audited accounts. And in practice, even when the transaction is an agreed deal, between mutually consenting listed companies, there is a tendency to rely on audited accounts.

"In general, hostile bids are very dangerous," agrees Mr Richard Lapthorne, finance director of Courtaulds. His procedure when executing an agreed bid is as follows: "I fix up a meeting with the audit partner just prior to closing, and tell him that we are relying on the figures he has audited. I ask him whether there is anything he'd like to tell me. Believe me, the news spreads like wildfire."

Even these tactics seem perfunctory when compared with the amount of investigative work companies are prepared to undertake when buying either private companies or the subsidiaries of public ones. "Our job is to accumulate qualitative and quantitative information even before we make an approach," observes Mr Neville Bain, finance director of Cadbury Schweppes.

After the approach comes the formal "due diligence" process, when squads of accountants crawl over target company's books.

"Public company takeovers are highly speculative," says Mr Brandon Gough, senior partner of Coopers & Lybrand Deloitte, the UK's largest firm of accountants.

A chief executive, he says, should not buy a company on the basis of accounts alone. After all, Mr Gough asks, "what business does he have buying a business he doesn't understand?"

Mr Swraj Paul, chairman of Caparo, has some advice for the accountancy profession in return: he believes all accounts should carry a "health warning", saying that the auditors carry no liability for any loss arising from the use of the document.

Soviet Economic Reform

Challenge by the radicals

By Georgy Arbatov

What is happening to the changes proposed for Soviet markets, finances and labour? The Financial Times and other western media have been quick to respond to the question in this way: long-advertised radical reforms of the Soviet economy are to be delayed indefinitely. This conclusion is drawn from reports on the two-day meeting of Mikhail Gorbachev's Presidential Council which began on April 18 (for example, "Soviet public disinclined to take its economic medicine," FT, April 25) and from interviews with some participants in the discussion.

I contributed to the council deliberations and spoke twice. Western reports on the meeting may be right about some facts, but they are wrong about the meaning of what happened. One gets the impression from reading the FT, The New York Times and the Los Angeles Times that Mr Gorbachev and his cabinet were presented with a draft for radical reform which was then rejected under pressure from conservatives.

Debates on economic reform have been going on in the Soviet Union since the early 1960s when a Pravda article by economist Yevsey Liberman touched off a heated discussion. The Government first tried to implement the reform in 1965. Because it was timid and inconsistent, the reform failed.

In 1985 the debate resumed with a new heat. Work on new reform programmes began. Experts and politicians put forward ideas; some were bold and some timid, some clever, some stupid. Only a few pieces of those programmes found their way into policy. Attempts were made to give enterprises greater independence. Co-operatives were allowed (even though they soon generated fears). Foreign trade was liberalised, and then hamstrung – again by fears. Leasing and family farms were introduced even though legislation was not specific enough to give them a chance of success.

Such haphazard attempts to introduce elements of market economics and free enterprise to the command economy brought about no more success than would an attempt to graft a vine on to a telegraph pole. This was especially true in that a large part of bureaucracy secretly desired to see the reforms fail and be discredited.

Since the economic situation in the country was changing for the worse, the need for a comprehensive and well-thought-out reform programme soon became manifest. In June 1989, economist Leonid Abalkin, newly-appointed First Deputy Prime Minister, headed the Commission on Economic Reform. His plans opened to public debate in the autumn of that year. But in December the Government presented to the Congress of People's Deputies (the Soviet parliament) a different plan. This was billed as an "economic recovery programme," but it was timid and stretched the changes over years. I publicly called on the Congress not to endorse the programme, suggesting instead that we simply take note of it as a personal proposal by Prime Minister Nikolai Ryzhkov. I was overruled. "The slow plan" was endorsed by the Congress and began to fail in the first weeks.

Haphazard attempts to introduce aspects of market economics to the command economy were no more successful than a vine graft on a telegraph pole

Around March of this year, the Council of Ministers apparently recognised that a different approach was necessary. Meanwhile, the institution of the presidency was created and the President in his inaugural speech emphasised his intent to radicalise economic reform.

Those were the conditions in which the new reform plan was born. The Council of Ministers then presented the plan to the Presidential Council.

Western news reports have accurately reported that following the two days of discussions at the Presidential Council, the plan was sent back for serious revision. It was emphasised that the work had to be completed fast, since the President and members of his Council believe that long delays in coming to grips with radical reform are out of the question.

But the reason for the critique of the plan was not conservative pressure; the academic experts invited to the sessions are quite radically minded and they all criticised it. The reason had to do with the poor quality of the plan, the absence of necessary calculations, and a wrong political orientation: it leaned towards the idea of putting the costs of the reforms on the people, while changing little in the way the economy is managed.

My personal disagreement with the plan, expressed during the Presidential Council discussion, was that it was based on a fiscal approach, aimed primarily at squeezing as much money as possible out of individuals and enterprises through higher prices, taxes and other means. This approach is typical of the Soviet Ministry of Finance which is prepared to slay quickly any goose ready to lay golden eggs.

My view, shared by many who spoke at the two sessions, was that the main pillar of the reform should not be the removal of money, but the stimulation of producers of goods and services. We thought that the reform should do more than just balance money and goods – which, it was supposed, would automatically create the market. The reform should also slash decisively non-productive civil and military government spending.

I agree with Stanislav Shatalin and Nikolai Petrakov who expressed indignation that the ideas of economic reform, and especially the market, have been turned into a kind of a bugaboo in the eyes of the Soviet public – a cloud of danger promising all kinds of troubles for the man in the street, rather than prosperity, consumer goods, and opportunities to earn good incomes and live well.

The paradox of our situation is that we are talking of a country which is tremendously rich and quite different from one like Poland. The Soviet Union has great natural resources, first-class science and a huge, well-educated and skilled workforce. The Soviet economy has been deformed and mismanaged for decades, which is why it is in trouble now. But it is beyond my understanding why – now that we are beginning to put our affairs in order – the people have to be "treated" with shock therapy and hit even harder before they become better off. There are no objective reasons why it should be so. Rather, reform depends on the quality of the policy and the way it is implemented.

I believe we can improve both the policy and the implementation. I remain an optimist, although a cautious one, if only because I know our bureaucrats too well.

The reform plan was sent back to the drawing board not under pressure from conservatives and conservatism, but under the impact of the common sense of long-time and consistent advocates of radical economic reform.

Some readers may wonder whether I think that the transition to a market economy can be painless, and whether society will not have to pay a price for it. But does Soviet society not pay daily a very high price for the absence of a market? Does it not pay in the lack of consumer goods and the long lines at the shops, in the black market deals and crime, in endless irritants plaguing any enterprise, and in the low standard of living? Yes, some prices are low, but so are incomes.

Therefore, I think that we should talk not only about the price we would have to pay for free markets, but compare it with the price we are paying for their absence. My own view is that the second price is much higher than the first.

I cannot understand those economists at home and abroad who intimidate people by the prospect of the great suffering which the market will supposedly cause them. I can see why our economic functionaries are doing it: they simply want to place the burden of the economic reform on others, and continue to manage the economy the old way, squandering the nation's wealth. But why should others swallow the bait?

The author is Director of the Soviet Academy of Sciences' Institute for US and Canadian Studies.

LETTERS

Norton backlash 'not xenophobic'

From Mr David L. Duffy.

Sir, The failure of BTR's bid for Norton Company is being misread by many in Britain as the triumph (or curse) of American xenophobia over capitalism and the free market.

Much has been made of the anti-British protests and of the burning of the Union Jack by Norton employees in Worcester, Massachusetts.

While the symbolism is hard to ignore, to characterise the response to BTR as a rekindling of revolutionary fervour, is to misinterpret what is a new environment in the US.

Americans are not anti-British or even anti-foreign. The British, the Japanese, the Germans, and others, own billions of dollars of US assets. Norton's white knight, Saint-Gobain, is French.

Americans can get a little edgy when foreigners buy a highly-visible Hollywood studio or a parcel of landmark New York real estate, but I seem to remember some fuss over here when the Kuwaitis took a 29 per cent stake in BP. On the other hand, there was virtually no outcry in the States when Royal Dutch/Shell and BP respectively took full control of Shell Oil and Standard Oil.

The Norton defence can be seen as a backlash against the takeover craze of the 1980s; a move forward of principles other than quick financial gain; a growing consensus among policy-makers and the public alike that perhaps not every deal that can be financed should be done; that there are values other than shareholders' that ought to be considered.

The Norton case is only one example. Thirty-nine states have passed anti-takeover laws, the provisions of which range from requiring staggered boards of directors, to prohibiting potential acquirers from voting the shares they own in the target company, to forcing an aggressor to disgorge any profits realised from a run-up in the target company's share price during a bid.

Just as they are not anti-British, Americans are not blindly anti-takeover.

Domestic and foreign mergers and acquisitions have become an accepted way of doing business. But what Americans are saying is that shareholder value is not the only criterion by which a deal should be judged. Employees and communities deserve some consideration as well.

British companies looking to make acquisitions in the US ignore this new sentiment at their peril.

The heyday of the surprise hostile tender offer, enveloped in claims of "maximising shareholder value," has probably passed. How potential acquirers are seen will shape the outcome of their bids.

Companies attempting acquisitions in the US should make their plans based not solely on economic values, but on social ones as well.

David Duffy,
managing director,
Ogilvy Adams & Rinehart,
Chancery Lane, WC2

The author, an American, did public relations work for Norton during the BTR takeover bid.

Moslem label no help to Kashmir's achievement

From Professor Meghnad Desai.

Sir, The problem of Kashmir remains unsolved and will remain insoluble as long as people like yourself continue to refer to it as a "Moslem state."

Inasmuch as it is part of India, it is not a Moslem state just as no other state in India is a Hindu state.

It was to resist the labelling of states after the religion of their majority population that India chose to be a secular state.

In these fundamentalist days, it is no easy task to be a secular state. But it will be a help if at least the formal achievement of this highly-desirable and, dare I say, rational political arrangement is acknowledged more fully.

Meghnad Desai,
Department of Economics,
The London School of Economics and Political Science,
University of London,
Houghton Street, WC2

Preparing tomorrow's workers

From Mr Geoffrey Howson.

Sir, It is good that Professor Prais ("Oiling the school system machinery," April 25) should draw attention to the fact that the curricular changes in our schools being undertaken and planned are unlikely to improve the achievement and motivation of average and less-than-average pupils.

This surely has consequences for the production of a knowledgeable and trainable workforce.

The complexity of the proposed innovations is likely to decrease the time teachers can devote to their main task of preparing and providing good lessons. The job of teaching will then become even less attractive.

It is essential that a halt be called to further developments and implementation on current lines, and that the whole purpose of reform be re-thought.

The provision of good and appropriate national curricula must not be constrained by an ill-advised and untried assessment scheme.

Geoffrey Howson,
Professor of Mathematical Curriculum Studies,
University of Southampton

From Mr Richard Layard.

Sir, Sig Prais argues that vocational courses should be encouraged in school before 16, as well as after. This is an important proposal, particularly since there is currently so little prospect of universal vocational education after 16.

It has two merits: it is good for motivation and good for skill formation. The economic return to this pattern of education may be quite high.

In the US, pupils who spend a third of their last three years at school on vocational courses subsequently earn 22-40 per cent more than similar students who take only academic courses (Economics of Education Review, 1989).

It does not imply a narrowness of education.

In the early 1960s, when I taught history to a fourth-year class, they went to the Tech for half a day a week working for City and Guilds in building. But their general morale was high, so they liked history too.

Richard Layard,
Professor of Economics,
Centre for Economic Performance,
The London School of Economics and Political Science,
Houghton Street, WC2

Investment trust association explains share selling

From Mr Philip Chappell.

Sir, Mr O'Shea (Letters, April 25) warns against the dangers of "share pushing," which he believes will arise if investment trusts are able to promote their own shares under new proposals by the Securities and Investment Board. We cannot accept his criticism that SIB officials showed "frightening ignorance" about investment.

In fact it is Mr O'Shea who is displaying his ignorance of the very careful and deliberate conditions which the SIB report has proposed. The new rules would apply only to the marketing of investment trust savings schemes; not the "raw" investment trust shares.

These schemes, which do not give investment advice, are administered and promoted not by investment trust companies themselves, but by "authorised persons," as regulated by the Financial Services Act.

The intention is to allow greater access to investment trust shares by means of a product, the savings and investment scheme, which has already proved itself to be more cost-effective and of greater benefit to the consumer than most other packaged equity products, such as unit trusts or unit-linked insurance schemes.

Mr O'Shea should be reminded that money invested in such packaged products similarly finds its way into the stock market. He should also remember that most investment trusts have at least three independent market-makers balancing the supply and demand for their shares, whereas unit trusts have only one market-maker, namely the manager.

What the SIB has rightly concerned itself with is the means by which stock market investment takes place. Its conclusion is that investment trust savings schemes are a product which should be available to the public on equal terms with equal restraints as other competing products. It will then be for the investor to decide which is the better investment.

Philip Chappell,
Adviser,
Association of Investment Trust Companies,
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FINANCIAL TIMES
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PRIME MINISTER PUTS FURTHER BAN ON A-320s

India extends Airbus grounding

By David Housego in New Delhi

THE dispute between India and the European Airbus consortium is expected to intensify after the unexpected decision of Mr V.P. Singh, India's Prime Minister, to extend, probably for several months, the order grounding Indian Airlines' fleet of Airbus A-320s.

India's domestic carrier, which is suffering heavy losses because of the grounding of the 14 twin-engined jets, is taking the unusual step of leasing out its A-320s in an effort to recoup some of its losses. The airline and Airbus had expected the Indian authorities to allow a resumption of A-320 operations this week.

The decision is also a blow for Airbus, which is currently fighting a fierce commercial battle against its US rivals Boeing and McDonnell Douglas in the Asia-Pacific civil aircraft market. The European consortium is worried that US manufacturers may use its current problems in India to try to win back market share there.

The Indian Airlines A-320 fleet has been grounded since February 18, four days after the crash of one of the aircraft at Bangalore. The Prime Minister, acting against official advice, said operations would not be resumed until after the cause of the crash had been established by the judicial inquiry under Mr Justice Subramaniam Bhat.

The court of inquiry, was due to report at the end of this month but it is now suggested that a full report may not be available for four to five months.

India's Civil Aviation Ministry had recommended that the aircraft be brought back into service at a rate of two or three a week. An important factor in the recommendation was the report of the inspector of accidents for the Directorate General of Civil Aviation which said the main responsibility for the accident lay in pilot error.

Indian Airlines has been suffering operating losses of Rs250m (£8.3m) a week since the aircraft were grounded. Without the Airbus the airline is operating 20 per cent below capacity with only about 100 flights a day against 140 in January.

Air India, the international carrier, is helping on some routes and Indian Airlines has also been able to improve its operating efficiency and reduce the proportion of delayed flights in its schedules.

Although it may hire one or two aircraft, Indian Airlines is expected to make do mainly with its remaining fleet during the ban on the A-320s. It is also likely to lease out the four additional A-320s which were to have been delivered in March but are still at Airbus headquarters in Toulouse, France. An Airbus delegation is due in New Delhi tomorrow to discuss these aircraft.

The Prime Minister's decision caused surprise because officials had been expecting the Cabinet would agree that the aircraft should be phased back into operation.

The Cabinet had been due to take a decision on Friday but this was postponed to a meeting on Monday which, in the event, did not take place. No reasons were given for the Prime Minister's decision other than that it was to ensure the safety of passengers.

Apart from the 14 A-320s grounded in India and the four in Toulouse, India has also contracted to purchase a further 12. However, it is understood that the Government is looking at the fine print of the contract.

Arrests made in Iraqi gun affair

By Jimmy Burns in London

SENIOR executives of British companies at the centre of the Iraqi gun project controversy were being questioned yesterday after Customs officials made a number of arrests.

Customs and Excise said that 14 UK nationals were being held. Some had been arrested pending possible charges being laid against them within the next 24 hours, while others were helping with inquiries.

The spokesman would neither confirm nor deny that those arrested included staff working for Sheffield Forgemasters and Walter Somers, the two companies involved in supplying components to Iraq which are believed by Customs officers to have been put to military uses.

However, a spokesman for Eagle Trust, the parent company of Walter Somers named three senior members of staff as having been "taken in for questioning" by Customs officers. The three are Mr Peter Mitchell, managing director; Mr Ken Hadley, commercial director; and Mr Royston Taylor, works manager.

Sheffield Forgemasters said that its offices had been visited by Customs officers yesterday and that "six executives of group companies" had been asked "to make statements at local police stations, which they doing."

However Customs and Excise last night insisted that the police were not involved in yesterday's developments and that the affair was being run by members of their investigation division who have powers of arrest.

The latest twist in the "super-gun" controversy is likely to put renewed political pressure on the Thatcher Government to clarify the circumstances surrounding the exports of parts to Iraq.

News of the Customs operation provoked an immediate row in the House of Commons, where three Conservative MPs demanded an immediate statement from the Government.

Sir Hal Miller, who contacted government departments two years ago on behalf or Walter Somers to seek clearance for the export order, said that he was willing to go to court to give evidence on behalf of directors of the company.

The MP has insisted in the House of Commons that those warnings, delivered in 1988 and 1989, should effectively absolve the company of any responsibility in the affair.

Separate consignments of steel pipes suspected to be components for Iraq's giant gun project have recently been seized by Greek and Turkish customs officials.

The latest moves by UK Customs Officers came five days after a British scientist, Dr Christopher Cowley, appeared in court accused of illegal exportation of equipment with intent to evade a ban on arms sales to Iraq.

Dr Cowley is a former employee of Space Research Corporation, the Brussels-based company known for its weapons expertise through which Iraq placed its orders with the two UK companies.

Sheffield Forgemasters has consistently maintained that the Iraqi order was for a petrochemical project and had the approval of the Department of Trade and Industry.

Mr Anthony Beaumont-Dark, the MP for Birmingham Selly Oak, hinted that the MPs might publish details of the correspondence between the companies and government departments.

UK objects to US ruling on Brent oil

By Steven Butler in London

THE British Trade and Industry Department (DTI) yesterday called for an urgent meeting with the US Commodity Futures Trading Commission to resolve a crisis in the forward market for North Sea Brent crude oil.

The DTI took strong exception to a US court decision which claimed jurisdiction over the Brent market.

It said in a letter to the CFTC that the decision was "objectionable to the UK" and that it was "contrary to international law and damaging to the British national interest."

Meanwhile, Exxon, the US multinational oil company, said it had ceased all trading in the Brent forward market on the advice of its lawyers. The legal status of the market, especially for US traders, was brought into question by the court decision.

Exxon was one of the most active traders of Brent and its withdrawal will further damage liquidity and threaten the role of Brent crude as an international marker against which a large number of oil contracts are priced.

It remained unclear whether Exxon's withdrawal from trading also meant that its own crude oil delivered through the Brent system pipeline would be withdrawn from the forward market.

Exxon, through its subsidiary Esso UK, accounts for about a third of the Brent crude oil stream. Liquidity would be hard hit if this oil were unavailable to the trading system.

Although the London-based International Petroleum Exchange has been a principal beneficiary of the crisis in the Brent market in the past two weeks, its own futures contract for Brent oil depends on the viability of the forward market.

The crisis stems from a ruling in a US district court in a case brought by Transnor, a small trading company which incurred losses during the 1986 oil price collapse. Exxon and Connoco are defendants in the case, in which they are accused of causing damage to Transnor by manipulating prices to reduce UK tax obligations.

The court ruled on April 18 that the Brent forward market was a US futures market subject to US laws and regulatory authority.

The DTI yesterday objected to a passage in the court's opinion which stated: "Where the market in question has even the slightest ties to US commerce, that market is not an exclusively foreign market and is therefore deemed a US market."

The DTI said this could be interpreted to mean that all trading in Brent oil contracts, including trading between "UK persons within the UK," would be subject to US commodities law. It said that under this interpretation the jurisdictional reach asserted was contrary to international law.

Traders continued to express confidence that the Brent market would eventually recover and that Exxon's withdrawal would prove temporary.

They said trading was light, although this was to expected in advance of today's meeting in Geneva of the Organisation of Petroleum Exporting Countries.

UK oil unit to bow to EC, Page 10; Soviet joint ventures, Opec talks, Page 32

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	19	66	Dallas †	[illegible]	12	54	Madeira	F	18	64	Prague	S	19	66
Algiers	C	17	63	Dublin	S	18	64	Madrid	C	[illegible]	61	Reykjavik	C	9	48
Amsterdam	S	19	66	Dubrovnik	S	19	66	Majorca	C	18	64	Rhodes	S	18	64
Athens	F	20	68	Edinburgh	S	17	63	Malaga	F	20	68	Rio de Janeiro		–	–
Bahrain		–	–	Faro	S	21	70	Malta	F	19	66	Rome	S	19	66
Barcelona	S	19	66	Florence	S	25	77	Manchester	S	21	70	Salzburg	F	19	66
Belfast	S	20	68	Frankfurt	S	21	70	Melbourne	S	23	73	S'Francisco †	S	17	63
Belgrade	F	16	61	Geneva	S	19	66	Mexico City		–	–	Santiago		–	–
Berlin	S	21	70	Gibraltar	F	19	66	Miami †	S	22	72	Seoul	R	19	66
Biarritz	S	21	70	Glasgow	S	21	70	Milan	S	21	70	Singapore		–	–
Birmingham	S	22	72	Guernsey	S	21	70	Montreal †	F	14	57	Stockholm	F	17	63
Blackpool	S	23	73	Helsinki	S	14	57	Moscow	C	12	54	Strasbourg	S	22	72
Bombay	F	31	88	Hong Kong		–	–	Munich	S	19	66	Sydney	S	22	72
Bordeaux	S	24	75	Innsbruck	S	21	70	Nairobi	[illegible]	26	79	Tangier	F	20	68
Boulogne	S	22	72	Inverness	S	19	66	Naples	S	22	72	Tel Aviv	F	21	70
Bristol	S	23	73	Isle of Man	S	[illegible]	59	Nassau		–	–	Tenerife	S	21	70
Brussels	S	21	70	Istanbul	F	12	54	Newcastle	S	20	68	Tokyo	S	20	68
Buenos Aires		–	–	Jersey	S	22	72	New Delhi	S	32	90	Toronto †	F	10	50
Budapest	C	18	64	Johannesburg	S	15	59	New York †	F	13	55	Tunis	C	19	66
Cairo	S	24	75	Las Palmas	S	21	70	Nice	S	21	70	Valencia	C	16	61
Cape Town	F	17	63	Leeds	S	19	66	Nicosia	S	19	66	Venice	S	21	70
Cardiff	S	23	73	Lisbon	S	18	64	Oporto	F	20	68	[illegible]	C	16	61
Chicago †	F	8	46	Locarno	S	22	72	Oslo	S	21	70	Warsaw	F	17	63
Cologne	S	23	73	London	S	22	72	Paris	S	23	73	[illegible]	[illegible]	16	61
Copenhagen	S	[illegible]	66	Los Angeles †	S	11	52	Peking		–	–	Wellington	C	15	59
Corfu	[illegible]	21	70	Luxembourg	S	23	73	Perth	F	22	72	Zurich	S	[illegible]	[illegible]

C – Cloudy. Dr – Drizzle. F – Fair. Fg – Fog. H – Hail. R – Rain. S – Sunny. Sl – Sleet. Sn – Snow. T – Thunder.
† Noon GMT temperatures

Free at last: American hostage Frank Reed gives a double victory sign as he enters hospital at Wiesbaden.

US and Iran in talks

Continued from Page 1

Tehran would keenly welcome extra money to help rebuild Iran's economy, still battered from the war with Iraq.

Iran and the US have increasingly resorted to bilateral negotiations to speed the claims process. This results from improved relations since November, when the US allowed Iran to dissolve a Bank of England account which had acted effectively as a guarantee for US claims. In January, Phillips Petroleum and the National Iranian Oil Company bypassed the claims tribunal to agree on a $92m settlement after Iranian protests that a tribunal award of $110m award had been too high.

During an hour-long meeting on Monday, Mr Robert Polhill, the hostage freed 10 days ago, gave Mr Bush a personal message from his captors. The contents have not been revealed because Mr Polhill gave his word that the message would "private and personal" to the President, the White House said yesterday.

Mr Bush has received strong support from Congressional leaders for his refusal to bargain for the release of American hostages in Lebanon.

Mr Tom Foley, a White House Speaker, expressed hope that the six Americans held in captivity would soon be freed. "We're seeing the beginning of the end of hostage-taking and hostage holding."

Soviet leaders jeered

Continued from Page 1

council. "Today a Blockade of Lithuania, Tomorrow a Blockade of Moscow," one banner proclaimed, showing that Mr Gorbachev's hard-line policy towards the Baltic republic is not universally supported.

Across the Soviet Union, the old disciplined celebrations were being replaced by a host of differing interpretations. In Lvov, capital of the western Ukraine, ardent Ukrainian nationalists marched to demand that their republic secede from the Union – a far more desperate threat than the challenge of little Lithuania.

In Leningrad, there was no city-wide parade, just a rally by the democrats who now control the city council.

In Minsk, capital of Belorussia, the parade lasted a token 40 minutes.

In the industrial city of Gomel, the entire workforce rejected the idea of any official celebration and instead supported the 30,000 workers at the local tractor plant, on strike for more action to repair the consequences of the Chernobyl nuclear disaster.

As the loudspeakers in Red Square continued to bellow out the official Communist Party slogans, they may have drowned out some of the demonstrators' shouts, but few listened.

Purchasing index confirms US industrial recovery

By Anthony Harris in Washington

THE US manufacturing recovery was strongly confirmed yesterday as the National Association of Purchasing Managers' index returned to a positive value after 11 months of decline.

However, construction output fell, amid signs of rapidly weakening demand. The prospective expansion, described as "modest" by Mr Alan Greenspan, chairman of the Federal Reserve, is based mainly on export orders and promises further progress with the US trade deficit.

But the purchasing manager's report, which shows tighter supply conditions and no further fall in expected output prices, may cause further inflation concerns. The index rose to 50.2 per cent in April, up from 48.8 per cent in March. This is the first reading above 50 – an equal balance of ups and downs – since April 1989 when it stood at 52.7 per cent. It was well above market expectations.

In reaction bonds prices fell by ¼ point on signs that supply constraints are beginning to reappear, leaving the yield on the benchmark long bond at at 9.03 per cent. The Dow Jones industrial average rose 12.16 to 2,668.92.

"More purchasing executives reported their prices were higher rather than lower for the first time since May 1989," said the report, adding: "Twelve commodities qualified for the 'in short supply' list. This is twice the number of items reported in March."

While the report also showed that delivery times for components and materials continued to shorten, these figures indicate that there is little slack in the system.

The prospective growth may be equally modest. Mr Robert J. Bretz, chairman of the NAPM survey committee, said that the 48.1 per cent average of the NAPM index over the last six months was consistent with a 1.8 per cent rate of growth for the economy as a whole.

Employers continue to shed labour: the NAPM employment index was virtually unchanged, falling to 45.1 per cent from 45.2 per cent in March.

New export orders increased in April for the 28th consecutive month. The number of members exporting also increased in April to 74 per cent, up from 71 per cent in the last two months, contradicting pessimism from Mr Robert Mosbacher, the Commerce Secretary.

The construction picture is also quite strong but seems unlikely to remain so. Construction spending in March fell 1.4 per cent, seasonally adjusted, following a revised rise of 3.2 per cent in February.

While spending still remains above 1989 levels, future orders for both housing and commercial building are very weak.

In its six-monthly forecast, also issued today, the NAPM says the economy will grow in 1990, but only moderately. Nominal growth of 4.3 per cent is forecast. This suggests real growth of less than 1 per cent, but by a margin of more than four to one, purchasers do not expect a recession to begin in 1990.

"Their projection for economic growth in the first half of 1990 compared with the last half of 1989 is relatively weak. However, their expectations for the second half of 1990 are considerably better compared to the first half," says the announcement.

US takeover challenges eased

Continued from Page 1

-ment, but the Supreme Court has now decided that states and private parties can seek such break-ups on anti-competitive grounds.

The ruling arose out of an attempt by the California attorney general to block the takeover of Lucky Stores, a large supermarket chain, by American Stores, which owns a rival chain. The $2.5bn deal was completed in mid-1988, and approved by the Federal Trade Commission.

However, following the California challenge, the courts ruled that the two chains should be operated separately while the case proceeded. A federal court will now decide whether the merger should be dismantled.

The implications of the ruling are potentially wide, providing a boost to state anti-trust enforcement and encouraging companies involved in mergers to negotiate with state as well as federal officials.

THE LEX COLUMN

New wreckage found in Atlantic

As the full financial horror of Atlantic Computers takes shape, so it becomes more difficult to conceive of any future for its delinquent parent, British & Commonwealth. Yesterday's headline estimates of £500m to £1bn for Atlantic's liabilities are bad enough. But the chaos at Atlantic is better illustrated by details, like the bizarre £18m Dutch tax liability Price Waterhouse found in Atlantic's European operations; or the fact that far from being cash generative, as a leasing company should be, Atlantic actually needed to be propped up by loans from B&C. If this was how Atlantic was run under B&C, it is anyone's guess what lurks elsewhere in the B&C empire.

Stockbrokers' estimates of B&C's position are as reliable as they were over Ferranti. But if they are right, B&C made pre-tax losses of at least £35m last year, and has £1bn of debt and a negative net worth of £100m plus. That makes it look as though the Law Debenture Trust's decision to delay putting B&C into default on its £660m loan stock is only a temporary reprieve. If so, two things need to be said.

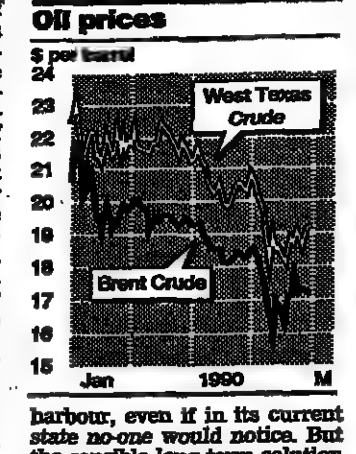
First, if it turns out that receivership for B&C is the best course for creditors, its ownership of a small merchant bank and a big money broker should not stand in the way. The Bank of England has the power to safeguard those businesses. Second, in future institutional investors will know what example to cite next time the CBI accuses them of failing to back creative British management.

Brent crude

The queries over Brent crude's continued status as a marker price for oil highlight the difficulties in establishing world prices for what is a conglomeration of local markets. Dubai is too heavy to act as a benchmark; West Texas is subject to local distortions which have prompted suggestions that it be replaced by Louisiana sweet. And even before the recent US court decision which precipitated Exxon's retreat from the Brent forward market, supply disruptions had already encouraged moves to combine Brent with the Ninian blend and create a new marker.

The DTI has reacted with understandable irritation to this US attempt to assert extra-territorial jurisdiction; perhaps this is time for protesting Brits to dump oil in Boston

Oil prices



harbour, even if in its current state no-one would notice. But the sensible long term solution for the oil market is to create a viable and globally accepted basket of crudes which could serve as a trading vehicle.

DAF

It is no secret that the European truck market has softened; but the speed with which DAF's prospects have deteriorated in the last few months is unnerving. Less than a year ago the company came to the market on an historic multiple of 9 times earnings. It is now forecasting a first half loss; and estimates of 1990 earnings per share, once as high as Fl7, have been slashed to under Fl2. There must be serious doubt about the company's ability to maintain its dividend; and the shares, already nearly a third below their flotation price, could well fall another 20 per cent before finding a floor.

What has gone wrong? There is no question that DAF is more vulnerable than its competitors to the slump in the UK market. But the modest slowdown in the Europe-wide industry bears no comparison with earlier recessions. The sudden deterioration in DAF's financial condition does not reflect well on its stock market sponsors. It is also a reminder of the urgent need for good, independent research on new issues.

BAT

Yesterday's publication of BAT's report and accounts – subtitled The Way Ahead – is a timely reminder of how the group will look in the post-Goldsmith era. Financial services are still smaller than tobacco but have supplanted it at the head of the segmental tables; they also receive more space in the text. The implication is plain: that the grand strategy of converting tobacco cash into financial services, savagely and effectively attacked by Hoylake, remains in place. All the sales, demergers, share buy-backs and increased dividends are sideshows by comparison. BAT's management has been shaken by Goldsmith, but not stirred.

It is the more disquieting that the chairman, who had previously announced his intention of retiring within the year at the statutory age of 60, now appears to be equivocating. Mr Sheehy is a European by long-standing conviction: and the group's earlier plans for a big Continental insurance acquisition were an important cause of institutional disaffection at the time of the Hoylake bid.

It may well be that the group will not risk a big acquisition, preferring to settle for some form of alliance or joint venture. If in doubt, the management should recall that the central notion of wedding tobacco and insurance never commanded general assent: and that shareholders, so far from expressing support in the face of Hoylake's opposition, were never given the choice.

Bond buy-backs

Two more UK companies launched buy-backs of their bonds yesterday, although from slightly different angles. Tesco is following the recent trend of repurchasing bonds which have dropped below face value because of interest rate rises. Next is buying back convertibles which, because of the company's particular trading difficulties, are yielding 18 per cent to the put date. Both seem to be attempting to use liability management to enhance shareholder value. Tesco is making a tax-free capital gain and altering its ratio of fixed to floating debt in case interest rates fall: Next is making an interest saving compared to the risk premium demanded by bondholders, which appears to be larger than that required by its bankers.

Bond buy-back programmes are the logical successor to the equity buy-ins favoured in the lower interest rate regimes of the mid-1980s. Of course, bond purchases are more likely to reduce liquidity because they usually affect a large proportion of a given issue. But provided the issuer makes clear its intentions, as Tesco did yesterday, buy-back programmes should not unduly harm investors; indeed, they should provide price support.

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday May 2 1990

INSIDE

Geneva focus on oil prices

The main aim of today's emergency session of Opec ministers in Geneva will be to prop up oil prices following a big drop since the end of March. It looks like ministers will focus on short-term efforts to take an excess of crude oil supplies out of the market, while saving more difficult issues until their formal semi-annual ministerial conference in June. Some of Opec's principal objectives, however, appear well on the way to being reached. Steven Butler reports. Page 32

Thinking like a European

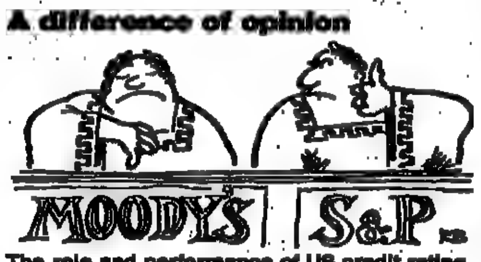
IBM

Entire books have been written about International Business Machines without mentioning Europe or IBM's European operations. Yet Europe is now critically important to world's biggest computer maker. The company's growth rates are higher in most European markets than in the US, eastern Europe is throwing up new opportunities, and IBM's lean European management style is energing as a model for the whole group. What IBM can achieve in Europe, the argument goes, it can also achieve in the US — if it learns the right lessons. Alan Cane reports. Page 32

Tan backs out of purchase

The planned sale of Consumers Distributing, a Canadian catalogue retail chain, to Vincent Tan, the Malaysian investor, and his business partner International Semi-Tech Microelectronics of Toronto, has fallen through amid allegations of breach of contract. The chain's owner, Provigo, Canada's second largest food distributor, has denied claims that Consumers Distribution's financial condition proved worse than described when the deal was put together in November. Page 21

A difference of opinion



The role and performance of US credit rating agencies has again been thrust into the limelight. Last week Standard & Poor's downgraded around $30bn of Citicorp's debt and preferred securities. The bank, America's largest, expressed its disappointment and Wall Street its confusion. For S & P's Citicorp rating is significantly different to that of Moody's Investors Service, its leading competitor. Janet Bush explains how the episode illustrates a number of characteristics of rating agency behaviour and its implications. Page 24

A second life for Lauritzen

Denmark's J. Lauritzen shipping-based group aims to raise about DKr700m ($109.6m) through an issue on the Copenhagen Stock Exchange this month. The issue marks the group's comeback from a position perilously close to the financial grave after several large and injudicious investments in the early 1980s. A share split will out the shares' face value from DKr1,000 to DKr20, making them more liquid and attractive to new investors. Page 20

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Chief price changes yesterday

NEW YORK ($)

Rises				Jeol	1200	+	110
Boeing	71½	+	1⅞	Nakal Bosai	1620	+	170
Contel	30⅞	+	⅞	Pias-Tech	940	+	81
Chrysler	15¼	+	⅝	Yokohama Mat.	1310	+	100
Falls				**Falls**			
IBM	108¾	–	¾	Daiwa Kogyo	1120	–	70
Symbol Techs.	8	–	⅝	Sho-Bond Cons.	2290	–	320
Tesco	17¼	–	5¼	Tada Cons.	1540	–	80
TOKYO (Yen)							
Rises							
Aoki Intl.	7190	+	740				

New York prices as at 12.30pm. Paris and Frankfurt closed.

LONDON (Pence)

Rises				MEPC	486	+	6
Ashley Grp.	92	+	4	Pearson	861	+	10
BDA Hldgs.	22	+	5	Rolls-Royce	280	+	2
Brent Walker	259	+	10	Utd. Newspaper	296	+	15
Brit. Dredge.	131	+	6	**Falls**			
Brit Gas.	191	+	4	Brit. Aerospace	518	–	6
Brit Telecom	249	+	4	Ellis & Everard	180	–	16
Clayform Props.	145	+	9	Grand Met.	546	–	6
Enterprise Oil	570	+	15	LASMO	361	–	12
Fairline Boats	790	+	50	Northumber	94	–	20
Glaxo	762	+	16	Parrish	8	–	14
Hazlewood	154	+	16				

Abu Dhabi takes over loss-making BCCI

By Richard Donkin in London and Peter Lieftinck in Abu Dhabi

THE Luxembourg-based Bank of Credit and Commerce International announced losses yesterday of $498m in 1989 and confirmed that a majority share-ownership was now in the hands of the Government of Abu Dhabi.

The shift in ownership is expected to pave the way for radical restructuring of the troubled private bank, which may lead to it splitting its operations. Its UK operations are still under review by the Bank of England after two of its subsidiaries pleaded guilty in February to drug money laundering charges in the US.

The bank agreed to forfeit $15m, the equivalent of the amount in drugs proceeds laundered through its offices.

Some 77 per cent of the bank's equity is now held by several Abu Dhabi government agencies, including Abu Dhabi Investment Authority (ADIA), the Department of Finance and the Ruler's Office which are all controlled by Sheikh Zayed bin Sultan al Nahyan, the emirate's ruler and UAE president.

Sheikh Zayed is thought to have paid $528m for the 20 per cent share of the bank held by Saudi Arabia's Bin Mahfouz family, who are majority shareholder's in the National Commercial Bank, Saudi Arabia's largest bank. He also injected a further $400m in new equity subscriptions, boosting the bank's capital fund to $1.475bn. The fund had fallen from $1.417bn in 1988 to $1.075bn.

The Abu Dhabi intervention is in line with the requirements of bank supervisors which, because it has no lender of last resort, insisted upon an agreement by shareholders to help the bank if it runs in difficulties. Cash calls have been made on shareholders three times in the last five years.

The bank made a $224m operating profit after tax in 1989, but this was wiped out by a $600m provision to which the bank agreed in line with the Bank of England matrix, the formula for third world debt right-offs.

BCCI said some $165m of the provision related to third world debt. The bank also has certain commercial loans which it has not publicly identified. It's main country exposure has been Nigeria, where trade related debt was later converted into sovereign debt. Preliminary year-end figures released ahead of publication of its 1989 accounts show that its assets have risen from $20.6bn to $23.5bn and it continues to maintain a high liquidity – £12.3bn in liquid or near liquid assets, up from £9.7bn in 1988. Customer deposits rose from $15.6bn to $18.4bn.

Bank officials say that important restructuring of BCCI will take place over the coming months. This is expected to include senior management changes as well as the closure of some of the bank's smaller branches.

Mr Zafar Iqbal, chief executive officer of BCCI's UAE affiliate, Bank of Credit and Commerce (Emirates), is expected to become joint president of the BCCI group as Abu Dhabi's financial authorities consolidate their hold over the bank.

A proposal has been tabled to restructure BCCI's European banking business into a group which would be controlled from London, while BCCI's worldwide operations could be moved to Abu Dhabi. The bank said yesterday that it planned to remain in the US, where it has assets of $390m, and said it was applying to have its licence in Florida restored after its renewal was refused earlier this year.

Independent German airline collapses

By Paul Abrahams

GERMAN WINGS, the independent Munich-based airline, has filed for bankruptcy after partnership discussions with other airlines broke down last week. All flights have been halted.

The airline had expected to announce that it had secured the partnership of a major European carrier last Friday. However, less than 24 hours before the announcement the press conference was cancelled.

At least four carriers were rumoured to be interested in German Wings. British Airways, Lufthansa, SAS, the Scandinavian airline, and Swissair are understood to have been in contact during the last four months.

Mr Peter Kimmel, the company's managing director, who owns 40 per cent of German Wings with his brother, Christian, said last month that he was hoping to sell a 30 per cent stake to help finance the airline's expansion.

However, the Kimmels said that after the failure of the partnership talks, Mr Franz Burda and Mr Frieder Burda, who own 45 per cent of German Wings, were unwilling to continue to provide start-up finance for the year-old operation. The remaining 15 per cent is owned by a consortium of German banks and the state of Bavaria.

The failure of German Wings highlights the problems of small start-up carriers in Europe. The airline lost DM50m ($30m) last year on a turnover of DM70m.

The airline was carrying about 13,000 passengers a week, 72 per cent of whom were paying full-fare. It needed to fill between 55 and 60 per cent of its seats to break even, but last month was achieving load factors of only 43 per cent.

Picture: Trevor Humphries

Signs of the future: Greenpeace protesters lobby Imperial Chemical Industries, Britain's largest industrial group, to stop production of chlorofluorocarbons. Responding to the protest at the group's annual meeting in London yesterday, Sir Denys Henderson, ICI's chairman, claimed his company was already taking action. "We are doing something about it, spending £100m a year on research and development and new plants." He said that he hoped to find a commercial replacement for CFCs by the end of the century, and that he believed ICI was absolutely ahead of all other chemical companies in the development of the replacement gas, 134A. However, ICI, the UK's largest producer of CFCs, could not be the only company to stop production; "It has to be a worldwide phase-out," said Sir Denys
Detail's of the group's AGM, Page 25

Chrysler reports $71m net profit

By Martin Dickson
In New York

CHRYSLER, the US motor manufacturer buffeted by a major restructuring and the depressed automobile market, yesterday announced it made a modest net income of $71m in the first quarter of the year.

The figure compared with a loss of $664m in the fourth quarter of last year, when the company took a $577m restructuring charge, and a profit of $351m in the first quarter of 1989. First-quarter earnings per share fell to 32 cents from $1.50 a year ago.

However, the first-quarter figures were better than some analysts had feared and Chrysler's shares rose in trading on the New York Stock Exchange, to $15¼, up $⅝ at lunchtime.

The US automobile market is extremely soft, with serious overcapacity, and Chrysler has been losing market share, partly because it has cut back unprofitable lines.

It sold 211,283 cars in the US in the first quarter, giving it a 9.2 per cent share of the market, down from 10.6 in the first quarter of last year, while truck and minivan sales totalled 289,216 for a 19.5 per cent share, compared with 19.8 per cent.

Sales of the mid-size Dodge spirit and Acclaim cars continued to climb, with combined sales of 48,354 units, against 26,109 in the first three months of last year. Sales of the market-leading Dodge Caravan, Plymouth Voyager and Chrysler Town & Country minivans were up 15 per cent.

Mr Lee Iacocca, Chrysler's chairman, said the company's $1.5bn cost-cutting programme would be a competitive advantage.

Atlantic Computer claims may total £1bn

By David Owen in London

CLAIMS against Atlantic Computers, the collapsed UK computer leasing company, could total between £500m and £1bn ($1.6bn), according to the group's administrators.

Prospective returns for creditors were "far from good," with no early return likely, said Mr John Soden and Mr Peter Padmore, the joint administrators, of Price Waterhouse.

"We are 14 days into this exercise – I suspect it is going to run right through the 1990s," Mr Padmore said.

Administrators were called into Atlantic, the world's third-largest computer leasing company, last month by British & Commonwealth Holdings, the hard-pressed UK financial services group. B&C, which is to write off £550m against its investment, paid £416m for Atlantic in September 1988.

Meanwhile, B&C yesterday won a reprieve from the Law Debenture Trust Corporation, trustee for three issues of B&C bonds worth some £613m.

B&C said that Law Debenture "took the formal step" on April 27 of certifying that events had occurred that were materially prejudicial to the interests of the bondholders, but that the trustee "does not presently intend" to call default on the bonds.

This stance would apply "so long as current arrangements designed to prevent preferences in favour of banking creditors are adhered to and it remains otherwise satisfied that the interests of its beneficiaries will not be further prejudiced."

Law Debenture's undertaking did not, however, constitute a legally binding commitment.

Atlantic's administrators stressed that it would be "several years" before the true extent of the company's liabilities could be quantified but that bank credit lines in terms of working capital were "of the order of £160m."

The administrators added that Atlantic's US operations owe "in the region of £84m to the UK companies in administration." This was due primarily to difficulties in securing funding for leases. There are hopes that "substantial amounts" of this could flow back to the UK, they said.

The prospects of a return for UK creditors from Atlantic's European operations was said to be "not at all good." This was attributed in part to a £19m tax liability in the Netherlands.

The administrators said that they were trying to sell Atlantic's UK lease portfolio but admitted that "we don't think a simple sale...is necessarily going to be that easy to achieve." They estimated that up to 50 parties have expressed an interest in the portfolio.

Discussions with potential purchasers of companies within the Atlantic group are proceeding. The first sale - that of Wakebourne, a computer maintenance specialist - has been completed.

The collapse of Atlantic, Page 26

SGS removes barriers to foreign ownership of shares

By William Dullforce in Geneva

SOCIETE GENERALE de Surveillance (SGS), the Swiss company which is the world leader in inspection services, yesterday removed all barriers to foreign ownership of its shares and offered to swap its existing non-voting stock for new bearer shares with voting rights.

SGS, active in some 140 countries and with 1989 revenues of SFr1.95bn, would become only the second Swiss multinational to open its stock fully to international investors. The first was Adia, the services group formed from the merger of the Adia employment company with the Inspectorate quality control services company last September.

Until recently Swiss businesses have operated by-laws which allowed them to refuse to register foreign shareholders on their stock ledgers. Nestlé, Switzerland's biggest enterprise, shook the Swiss business establishment when it abandoned discrimination against foreigners in November, 1988. But Nestlé continues to limit individual shareholdings to 3 per cent of the total.

SGS experienced a boardroom battle and management shake-up last September, in which control of the group was restored to the latest generation of the founding families. Mrs Elisabeth Salina Amorini, the 34-year-old granddaughter of one of the founders, became chairwoman and Mr Claude Goldberg, a long-serving insider, replaced Mr Patrick Rich, an outsider, as managing director.

After the capital restructuring the pool of controlling shareholders, which comprises the families and Union Bank of Switzerland, would hold 45.5 per cent of the voting rights compared with 55.9 per cent at present. Pictet, the Geneva private bank which holds 3 per cent and is represented on the board, is not regarded as belonging to the pool.

Mr Ulrich Grete, a UBS general manager, will join the board which also includes since last September Mr John Craven, chairman of Morgan Grenfell.

To mark its capital restructuring SGS will pay shareholders an extraordinary dividend of SFr130 ($89) in addition to the 1989 ordinary dividend of SFr130 announced on March 5.

Last year SGS posted a 24.6 per cent climb to SFr155.3m in net consolidated earnings on a 15.8 per cent increase in turnover. Earnings per share were SFr344.

After the restructuring and assuming that all the company's non voting *bons de jouissance* are exchanged in the capital restructuring, 1989 earnings would increase to SFr387 per registered share and SFr1,935 per bearer share.

Details, Page 20

British steel fights for Aristrain

By Charles Leadbeater, Industrial Editor

BRITISH STEEL'S fledgling strategy to establish a manufacturing base in continental Europe faces a critical test this week when Jose Maria Aristrain, the Spanish family-owned group, decides whether to accept its bid of more than £250m ($410m).

The board of Aristrain is expected to meet on Thursday amid mounting speculation that British Steel has beaten off a rival bid from a consortium organised by Ensidesa, the state-owned corporation which is one of Spain's largest steel makers.

The company was founded in the 1950s by Mr Jose Maria Aristrain, who died three years ago in a helicopter crash. Control of the business passed to his son and daughter, who have been keen to sell it since they took over.

The acquisition of Aristrain, which had an annual turnover of about £440m last year, would further British Steel's attempts to expand its sales to the European construction industry. Aristrain is Spain's largest producer of structural sections for the construction industry.

Over the last few years, much of the British construction industry has turned to using steel for erecting the structures for large buildings. However, 80 per cent of buildings in mainland Europe are still built with reinforced concrete structures.

British Steel has already developed its distribution network on the Continent. The acquisition of Aristrain, which produces about 1.5m tonnes of steel from factories in northern Spain and around Madrid, would significantly improve British Steel's ability to deliver just-in-time to large construction sites.

The company will need to expand its sales in Continental Europe to offset a decline in orders from UK building contractors.

British Steel refused to comment on the Aristrain bid, but confirmed it was still working on the second arm of its European manufacturing through negotiations with Klöckner-Werke AG of West Germany to buy its Klöckner-Stahl subsidiary.

Lauritzen seeks DKr700m through B shares issue

Hilary Barnes on the Danish shipping-based group which once came perilously close to the financial grave

IT WILL be no ordinary share issue but virtually a relaunch on the Copenhagen Stock Exchange when Denmark's J. Lauritzen shipping-based group sets out to raise about DKr700m ($109.6m) through an issue of 342,968 B shares this month.

Firstly, the issue will be accompanied by a share split, cutting the face value of the shares from DKr1,000 to DKr20, which will make the shares more liquid and attractive to many new investors, as Mr John Rammer, general manager of Danske Bank, which is the lead manager, told an investor presentation in Copenhagen.

However, secondly, the issue marks the group's comeback from a position perilously close to the financial grave after several large and injudicious investments in the early 1980s, a period when times were difficult enough for world shipping without self-inflicted problems.

The group's equity to assets ratio slipped to a low point of 13 per cent in 1985, when there was a pre-tax loss of DKr643m. But after a large restructuring, which was helped by an improvement in conditions in the markets for shipping and offshore business, the group made DKr851m in 1989 on turnover of DKr10.70bn.

Equity capital has more than doubled to DKr3.46bn since 1987 and the equity ratio is now a somewhat more respectable 22.5 per cent.

The share price has recovered from a low of DKr140 in 1986 to a high of DKr2,520 in March this year, or by 18 times from low to high.

However, the price-earnings ratio is still only about 7.8, which is the lowest of the shipping shares listed on the Copenhagen Stock Exchange. Some 85 per cent of the votes in J. Lauritzen Holding are held by the Lauritzen Foundation, a situation which will not be altered by the coming share issue.

Lauritzen's two main interests are J. Lauritzen Shipping and DFDS. J. Lauritzen operates a fleet of 32 refrigerated cargo vessels, the second largest fleet after Sweden's Cool Carriers, a fleet of 27 medium-sized bulk carriers, 27 small gas carriers, five offshore drilling rigs and a handful of tankers.

DFDS is a large force in passenger and freight transport between the UK and north-west Europe and has an extensive and expanding land-based transport system in Europe as well.

Other important interests are the Sabroe industrial and marine compressor and refrigeration manufacturing company, Aalborg Boliers, which is a world leader in the manufacture of marine boilers, and the Frederikshavn shipyard, known as Danyard.

Mr Svend Dyrlov Madsen, group chief executive who has played a significant part in putting the group back on its feet since his appointment in 1985, said competitive reasons prevented him from divulging what the proceeds of the share issue would be used for, but they would not be required to finance investment decisions already taken.

Among these investments are four new and advanced refrigerators cargo vessels on order from Danyard. About half the issue of B shares will be reserved for international investors.

PolyGram seeks 18% of market

POLYGRAM, the world's third biggest record and music company, is aiming at an 18 per cent share of the world market in 1991 after it completes the integration of recent acquisitions, Mr David Fine, chairman, said at the annual shareholders' meeting which was held in Amsterdam, Reuter reports.

Last year, when it bought Island Records of the UK and A&M Records of the US, PolyGram's world market share was about 15 per cent.

Last year 20 per cent of PolyGram's equity was floated on the New York and Amsterdam stock exchanges by Philips, the main shareholder.

Cyprus bank in island's largest ever share issue

By Andreas Hadjipapas in Nicosia

THE Bank of Cyprus Group of companies, the largest financial organisation on the divided Mediterranean island, boosted pre-tax profits by 33.8 per cent last year and announced the largest share issue ever made in Cyprus.

Pre-tax profits exceeded C£12.8m (about $25.6m), due not only to the group's leading position in banking but also the good performance of member companies in insurance, investment banking, property development and tourism.

Mr Solon Triantafillides, chairman, told the annual meeting that the results achieved were very satisfactory, with total assets rising to nearly C£1.3bn at the end of 1989.

The board plans to raise C£20m in new capital to provide the necessary base for further expansion.

The dividend will remain at 15 per cent.

Mr Triantafillides said that over the next few years the bank would be aiming at expanding its business abroad, especially in the EC.

Apart from London and Birmingham, where the bank operates a number of offices, it will also set up a branch in Manchester, mainly to cater for the Cypriot communities.

Elsewhere, a banking unit will open in Athens by the end of the year.

The group also plans to open in New York shortly in the near future and upgrade its present representative office in Australia.

SGS to lift restrictions on size of holdings

By William Dullforce in Geneva

THE BOARD of Switzerland's Société Générale de Surveillance (SGS) proposed that all restrictions on the transfer of registered shares be lifted at the shareholders' meeting on June 27.

The registered stock would be bought and sold with no limit on the size of holdings and with no conditions on the nationality of shareholders, SGS said.

Restrictions on the transfer of registered shares were incompatible with the increasingly international character of equity markets, SGS added. The non-voting *bons de jouissance*, of which some 307,000 have been issued, had become out of balance with the 145,000 registered shares and did not meet investors' financial and legal requirements.

The board proposes to exchange six *bons de jouissance*, which have no par value, for one new bearer share with a nominal value of SFr500. Each bearer share will carry the right to five dividends and one vote. Each registered share, nominal value SFr100, carries one vote.

The new bearer shares, of which a maximum of 56,169 will be issued, will be paid for from the company's special reserve. The company will also pay the Swiss withholding tax and stamp duty. As soon as possible, when market conditions are ripe, a share split will be effected to reduce the high market price of a single share. SGS's new capital structure would be more suitable for its growth, the board said.

Shareholders are being asked to approve an issue of 15,000 new registered shares at SFr100 par, which will be reserved for the management.

Stefanel profits fall

STEFANEL, the Italian sportswear maker, reported 1989 consolidated net profit of L27bn ($21.9m), down from L33bn in 1988 despite a rise in turnover to L307.4bn from L259.8bn, Reuter reports. The dividend for 1989 will be an unchanged L130 a share.

From minnow to leading player

Peter Marsh and Enrique Tessieri on a growing Finnish conglomerate

A decade ago Neste, Finland's state-owned oil, chemicals and industrial company, was a sleepy conglomerate little known outside Scandinavia.

Today, largely on the back of a rapid expansion in petrochemicals that has cost the company FM5bn ($1.2bn) since the mid-1980s, all this has changed.

Neste, the country's biggest industrial group, has moved from chemicals minnow to leading player in the $120bn-a-year plastics sector. On Monday, Neste announced a 44 per cent rise in 1989 pre-tax profits to FM2bn.

On the European stage it is the fourth largest plastics company after BASF of West Germany, Italy's Enimont and Atochem of France. In polyolefins – specific types of bulk plastics which include the widely used polyethylene and polypropylene – the group ranks fourth worldwide.

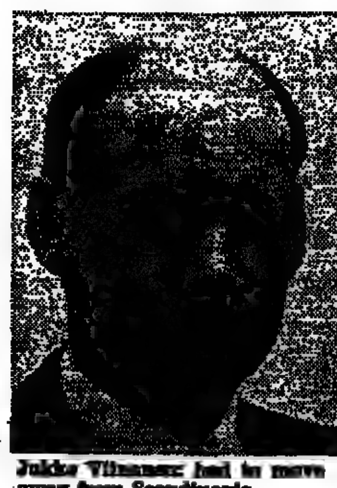
The turnover of Neste's chemicals division has leapt from FM3.2bn in 1984 to FM9.5bn last year. The company wants to keep up the growth rate and double its chemicals revenues by the late 1990s, largely through new projects in the Far East and the US.

Chemicals has moved from accounting for one-tenth of Neste's sales in 1984 to nearly 30 per cent in 1989. Virtually all the rest of the revenues come from oil refining and trading, while Neste also operates small divisions concerned with shipping, gas supplies and composite materials.

Neste has won respect for its single-minded approach to expansion. In the early 1980s to avoid an over-dependence on oil it evolved into an international industry, according to Mr Jukka Viinanen, board member responsible for chemicals. "We had to do something we knew about, and to move away from Scandinavia," he said.

Internationalisation of Neste's chemicals unit has been impressive. The number of employees in the chemicals division has jumped five-fold in the past eight years to reach 5,000. Three fifths work outside Finland.

Company managers have been lucky in picking the right time to pursue growth in chemicals. The last five years have seen demand, prices and profits rise quickly. Today competitive pressures are growing and prices and profits are starting to slide. There are hints of over-capacity especially in plastics, adding to the weakening prices.



Jukka Viinanen: had to move away from Scandinavia

Juha Rantanen: hopes to double chemicals sales

Some experts believe that Neste's rapid expansion has contributed to the likelihood that the world will be faced with a glut in plastics in the mid-1990s.

The possibilities of overcapacity appear particularly likely in polypropylene, a plastic in high demand in recent years.

Neste would not be immune from any possible problems arising from overbuilding. "Up to now Neste has implemented its (expansion) strategy very effectively," said Mr John Philpot, director at Chem Systems, a London-based chemicals consultancy. "Only time will tell if during a downturn it is blown off course."

In Finland, meanwhile, Neste has been the subject of a debate over the monopolistic aspects of Neste's trading relationship with the Soviet Union, the country which supplies virtually all Finland's oil and gas.

Neste runs Finland's only two oil refineries, and under a trading agreement between Helsinki and Moscow imports oil at a price regulated by the two countries.

Neste has benefited from the arrangement not only through this ready-made supply of feedstock oil for its chemicals factories but through trading some of this oil on world markets. In 1989, Neste's oil-trading division generated net sales of FM15.5bn, or almost half the company's total turnover.

Although Neste's monopoly over crude-oil imports within Finland – which has few energy supplies of its own – has undoubtedly helped the company's global growth, some analysts believe it may have hindered the development of competing energy businesses in Finland.

Unswayed by such domestic arguments, Neste's managers are planning further expansion in the 1990s in chemicals, mainly in the US and the Far East.

Mr Juha Rantanen, vice president in charge of chemicals, said he hoped to double Neste's chemicals sales in the next five to 10 years. Most of the growth is likely to be outside Europe – which is where much of its recent expansion has been centred.

FIVE-YEAR RECORD (FMbn)

	Sales	Oper. profits	Chemical sales
1989	34.7	3.5	9.5
1988	26.6	2.5	9.1
1987	28.1	2.3	4.6
1986	25.2	0.6	2.6
1985	35.2	1.4	3.3

He says Neste is "looking at all possibilities" as to how it could implement this strategy. It could involve a mixture of acquisitions and internal growth.

The company has spent some FM5bn in the past five years either buying or building petrochemical plants, in countries including Sweden, Portugal and Belgium. It is investing another FM1bn this year in Belgium, where it has a chemicals partnership with Petrofina, the Belgian oil group.

Mr Rantanen acknowledged the fears in the chemicals industry about overcapacity. But he said much of his company's expansion was likely to involve new plants to replace those closed down by other companies. "There is a potential threat (to profitability)," he said.

Neste is looking in particular at the US, the world's biggest chemicals market, as the base for future growth. It is only a small player in the US in plastics, though it has six plants in the country for making resins for use as adhesives in the building industry and claims number two position in this field in the US, after Borden, a US producer.

This energetic expansion in chemicals has been presided over by Mr Jaakko Ihamuotila, the company's president. Mr Ihamuotila, who took over the job in 1980, instituted a dynamic business manner in sharp contrast to Mr Uolevi Raade, his predecessor.

Mr Raade ran Neste from 1955 to 1980 with an authoritarian hand, insisting on a strict dress code for employees. He particularly disliked staff with beards.

In a wider context, as oil is the only commodity that Finns are willing to port from the Soviet Union in large quantities, Neste is likely to play a big part for some years in Finnish-Soviet trade.

Under a long-term agreement between the Finns and the Soviet Union last ratified in 1989, energy supplies from the USSR are exchanged for Finnish manufactured goods. The agreement is less important than a decade ago, as a result of the wider internationalisation of many Finnish businesses, but still underpins much of the country's economic life.

Neste is frequently the subject of debate in energy circles within Finland. While Neste has a monopoly over crude-oil imports, another company – Suomen Petrooli, a subsidiary of the Soviet oil monopoly Soyuznefteexport – is permitted to bring in to Finland refined oil. Helsinki appears not to want to change this state of affairs.

Renong to acquire two investment companies

By Lim Siong Hoon in Kuala Lumpur

RENONG, a small publicly-quoted loss-stricken property company, has announced one of Malaysia's largest acquisition deals. It is to buy Fleet Group and Hatibudi, two investment companies operated by the United Malays National Organisation (Umno), Malaysia's ruling party, for M$1.23bn ($452m).

Once completed, the acquisition would transform Renong into one of the country's three largest public-quoted groups, with a market capitalisation of as much as M$5bn. Its capital base now stands at M$110m; its 55m shares were last traded at M$2.80 a share.

The group has proposed a new issue of 1.23bn shares at M$1.00 each to pay for the acquisition, which will lift the group's total paid-in capital 12-fold to M$1.34bn.

The acquisition will give Renong control of eight publicly-quoted groups: Bank of Commerce, United Engineers (UE), Time Engineering, Cement Industries (Cima), TV3, Kinta Kellas, Hume Industries, and the New Straits Times. These groups provide investments in publishing, broadcasting, banks, construction, engineering and manufacturing.

The acquisition will group under a single roof all of Umno's investments.

The deal appears to be one of the last in the restructuring of Umno's commercial interests, with the sale of some shareholdings and the acquisition of others.

Umno's commercial interests have until now been served by Hatibudi and the Fleet Group. But some of the investments, particularly of Hatibudi's, have been jeopardised by a breakaway party faction under Mr Tengku Razaleigh Hamzah, the former Finance Minister.

Last year UE, a Hatibudi industrial group, bought Cima and provided Fleet with a 50 per cent stake in Plus, the lease holder of a privatised 850km toll expressway.

Renong's acquisition will involve share swap deals with Hatibudi and Fleet so that shareholders among the latter will have an eventual control of the former.

In this "reverse" takeover, Renong will buy all of Fleet's 55.7m shares for M$795m and Hatibudi's equity for M$245m. Separately, Renong is to buy a 2 per cent stake in UE for M$30m, and acquire M$156m in the latter's loan notes held by four companies.

On completion, Fleet Holding, Fleet Group's vendor, will obtain a 64 per cent shareholding in Renong. However, Fleet Holding will cut its stake to 28.5 per cent.

UK Government delivers latest blow to punch-drunk Elliott

Kevin Brown looks at changing fortunes in attempts by Elders IXL to consolidate its brewing interests in Britain

Is Mr John Elliott, chairman of Elders IXL, destined to be the latest over-borrowed Australian entrepreneur to go bust?

It looked at the beginning of the week as if Nemesis had finally caught up with the beer drinking, chain-smoking Mr Elliott, after two tumultuous decades in which he transformed a struggling jam producer into the world's fourth largest brewer.

Only a few months ago, everything seemed set fair for a man who appeared to embody the Australian virtue of irreverent individualism: Elders was riding high on the back of brand names like Fosters in Australia, Courage in the UK, and Molson in Canada; an election victory seemed likely for the Liberal (conservative) Party of which Mr Elliott is president; and Carlton, the Melbourne Australian Rules football team for which he holds the number one ticket, was on a winning streak.

Now Carlton are struggling, Mr Bob Hawke's Labor Government has won an election victory, and Mr Elliott's political ambitions are in shreds after his failure to win the nomination for a blue ribbon Liberal seat in Victoria. He is expected to resign as party president shortly after several political gaffes, including a call for Australia to join the European Community, a suggestion which went down like a warm lager.

What seemed like the final blow fell in London on Friday, after the Australian markets had closed, when Mr Nicholas Ridley, the UK Trade and Industry Secretary, announced the referral to the Monopolies and Mergers Commission of a £386m (US$597m) pubs-for-breweries deal between Elders and Grand Metropolitan. At best, the referral will delay for several months a deal which would have consolidated Elder's position as one of the UK's leading brewers.

At worst, it could seriously damage Elders' ability to use its UK operation as a springboard for an assault on the European market. The response, when the Australian markets re-opened on Monday, was immediate: Elders stock lost 6 cents to A$1.68 in Sydney – more than 30 per cent below its A$2.44 peak for the year.

The falling share price posed a serious problem for Mr Elliott because of his dual role as chairman of both Elders and Harlin – a private company formed by Elders managers last year to protect the brewing giant from an unwelcome takeover by purchasing a minority holding large enough to block any unwelcome predator. Mr Elliott was aiming at a stake of around 30 per cent, but was forced to widen the offer by Australia's regulatory authorities, and ended up with 55.8 per cent at A$3 per share – now equivalent to A$2.56 because of a bonus issue.

Harlin had to borrow heavily to finance the purchase, and now owes A$1.6bn (US$1.2bn) to a banking consortium led by Hongkong Bank, and A$300m to Citibank. In addition, BHP, Australia's largest company, chipped in A$850m in the form of preference shares.

This mountain of debt was sustainable when Elders' stock was quoted in the market at A$2.44 – valuing Harlin's 1.2bn shares at A$2.9bn. With Elders shares at A$1.68, however, Harlin had negative net worth of some A$750m.

Worse, analysts estimate that dividend income falls some A$180m a year short of interest costs. It was to reduce Harlin's debt exposure that Mr Elliott proposed a reconstruction designed to convert Elders into a worldwide beer group, to be renamed Fosters Brewing, by disposing of its significant non-core holdings in finance, agribusiness and resources.

The reconstruction would significantly ease Harlin's debts by providing shareholders with A$2.2bn in two capital repayments, implying an injection of more than A$1.2bn into Harlin. The commercial logic of the proposals has impressed analysts, many of whom would like to see Elders concentrate on its brewing activities.

But the falling share price is evidence of anxiety among other shareholders that the proposals are intended to benefit Harlin rather than shareholders generally. There was already concern that the joint management of Elders and Harlin posed potential conflicts of interest for Mr Elliott and the fellow Elders managers with whom he set up Harlin.

The question raised by the market's response to the proposals, and latterly the British regulatory initiative, is whether Elders can survive long enough for the reconstruction and cash injection to go through. However, Harlin's position is stronger than it looks at first sight.

John Elliott: pinning hopes on stabilising shares

The UK setback is more an irritant than a death blow. It does not affect the value of Elders' existing UK assets, and the proposed assets swap with GrandMet was not part of the capital reconstruction plan.

On the other hand, the referral underlines the perception of mounting problems surrounding Elders, and it could yet turn out to be a turning point in the company's fortunes. The key issue is the attitude of Harlin's creditors.

Privately, the bankers were making clear yesterday that they are prepared to be patient, largely because they regard Elders shares as severely undervalued on fundamentals – analysts put the true value at between A$2.50 and A$3.20. In any case, the banks' room for manoeuvre is limited since their only real alternative to hanging on would be to force Harlin to sell its Elders shares at the present unattractive price.

BHP also appears to be ready to stand by Harlin, partly because the company owes Mr Elliott a favour – he rescued BHP from an unwelcome bid by Mr Robert Holmes à Court three years ago by taking a friendly stake. Significantly, Elders shares bounced back 6 cents to A$1.74 in heavy trading in Sydney yesterday as the market pondered the implications of the UK regulatory initiative and the patience of Harlin's creditors.

Mr Elliott will now be hoping that the share price will stabilise sufficiently to allow the reconstruction to proceed as planned. But Harlin will have to change course if the stock comes under further pressure.

The most likely development would be for Mr Elliott to seek some form of equity investment in Harlin in order to ease the company's debt problem, although such a move could end in Harlin losing control of Elders. There might also be political opposition, since the most likely investor would be a foreign brewing group which could end up controlling a large chunk of Australia's brewing industry.

Further falls in the share price could also prompt an unsolicited bid for the group, probably from one of its overseas competitors, though none has yet indicated an interest.

The only certainty about Elders is that it is too soon to write off Mr Elliott. But it would be a delicious irony if the career of the rough-and-tumble Australian turns out to have been terminated by the British Establishment figure Mr Ridley.

Air India ascends from trough of stagnation and industrial disharmony

Gita Piramal finds the state-owned airline boasting record results, improved productivity and plans for investment

At a time when the Indian civil aviation industry is going through a depressed phase, Air India has been flying against the trend.

Last week the state-owned international flag carrier announced better-than-expected results for the year to March 31 1990. "Our better results are largely due to the improvements we have made in the product," said Mr Rajan Jetley, pictured left, the airline's controversial managing director who is acting chairman after the resignation of Mr Ratan Tata in December.

For not only was gross revenue up by Rs2.16bn at Rs13.69bn ($750m), but operating profits of Rs1.1bn were the highest in the carrier's 57-year history. In the previous year, the operating profit was Rs665.8m, while the previous highest was Rs871.2m in 1983-84.

Provisionally, net profit for 1989-90 is estimated at more than Rs500m, compared with last year's Rs433m.

Redeployment of capacity, rationalisation of routes, scheduling more flights to meet seasonal demands and improved labour productivity – resulting from several important rounds of negotiations with Air India's 11 unions – are some of the significant factors in improving the company's bottom line.

According to Mr Jetley, until a couple of years ago traffic between the Gulf and India was the sole contributor to the company's profits. Today, six out of its 10 routes are profitable, "and the trend on the other four routes is heartening as losses on them have been considerably reduced."

In the process of beefing up the airline, Mr Jetley has earned a reputation for being one of India's toughest managers, particularly in labour relations. Confrontations between a belligerent workforce and an equally aggressive management have been a regular feature of the past few years.

Gradually, however, fresh agreements were hammered out, so that recently there have been far fewer strikes than in the past few years when industrial relations were arguably at their worst.

Passengers, particularly those flying first and business class, deserted Air India in droves as wild-cat strikes, go-slows and stoppages disrupted flights. While the company has not been able to win back these prized passengers, overall it has managed to carry 124,862 more people than in the previous year.

Safety is another concern. Following recent crashes by jets of a sister airline, and mounting concern over procedural systems at Indian airports, Air India will have to work especially hard to ensure its safety record is kept clean.

Such problems could well scuttle its hopes of becoming an international player once again. In order to achieve this, new routes are being developed, including flights to Korea and China from Europe via India. "Business in the Pacific rim is expanding and, as Hong Kong starts closing down, India can emerge as a stopping point," says Mr Jetley.

Meanwhile, the airline has launched an expensive programme to improve its corporate identity. Aircraft are being repainted and refitted, uniforms changed, and personnel retrained. The executive class has been refurbished and is today offered as the new "Sun" class with extra frills.

Even as the Maharaja – the airline's mascot – dons a new coat, fresh investments of more than Rs14bn for new aircraft have been budgeted for the next four years.

Two Airbus A310s will be introduced by August and Air India is planning to exercise its options on four further aircraft, including the planned long-distance wide-bodied Boeing 767-X.

Bond lifts its Bell Group holding

NEWS IN BRIEF

■ BOND CORP Holdings, flagship of the troubled Bond group, said the company and its associates had lifted their collective holding in Bell Group, to 91.03 per cent from 74.46 per cent, AP-DJ reports.

Bond Corp issued a statement to the Australian SE detailing the change, after Mr David Aspinall, Bell managing director, said he bought 16.57 per cent of the company.

The Western Australian State Government Insurance Commission earlier confirmed it had sold its 19.9 per cent of Bell Group.

■ MR JOHN RALPH, chief executive of CRA, the Australian mining group 49 per cent owned by RTZ of the UK, warned that his company's first-quarter net operating profit before abnormal items was lower than in the year ago period, Reuter reports.

He told shareholders the fall was due to lower aluminium prices and the shutdown of its Bougainville mine.

■ SUNTORY, the leading Japanese distiller, is seeking to acquire a US food company to secure a firm foothold in the American food industry, Mr Shinichiro Torii, president, said yesterday, Kyodo reports.

Mr Torii said Suntory hopes to boost its annual sales in the US to about $1bn within five years from the present $350m.

■ PLACER PACIFIC, an Australian gold miner 75.8 per cent owned by Placer Dome of Canada, yesterday reported a 1,209 per cent rise in first-quarter net profits to A$27.1m (US$20.9m) from A$2.1m in the first three months of 1989, AP-DJ reports.

Revenues soared 343.9 per cent to A$120.1m from A$27m in the year-earlier period, because four mines were producing gold, compared to one at March 31 1989.

Provigo buyers withdraw

By Robert Gibbens in Montreal

MR VINCENT TAN, the Malaysian investor, and his business partner International Semi-Tech Microelectronics of Toronto, have pulled out of a C$165m (US$108m) deal to buy Consumers Distributing, a catalogue retail chain from Provigo, alleging breach of contract.

Provigo, Canada's second largest food distributor, immediately denied allegations that Consumers Distribution's financial condition proved worse than described when the deal was put together in November.

Semi-Tech was to hold almost 20 per cent of Consumers and Mr Tan 80.1 per cent. They planned to buy consumer goods in Asia and thereby turn the business round from persistent losses.

The sale of Consumers Distribution was a key part of Provigo's plans to consolidate and concentrate on food distribution in Canada and the US.

Semi-Tech, headed by Mr James Ting, acquired an extensive global distribution network with the 1989 purchase of SSMC, the Singer sewing-machine maker, in the US. Last year, Semi-Tech bought Consumers Distribution's US catalogue chain.

Mr Ting said Semi-Tech was still interested in the Consumers Distribution business in Canada, but "only at the right price."

Shareholders divided over AmGen takeover

By Roderick Oram in New York

THE future of American General, the fourth largest publicly-owned US insurer, hangs in the balance this morning as its shareholders gather for its annual meeting in Houston.

On one side is Torchmark, a far smaller competitor, which is urging shareholders to give it a chance to propose a $6.3bn takeover and run American General along the lines which have made Torchmark highly *successful through the 1980s.*

On the other is the incumbent management who say shareholders will begin to reap the rewards of the company's painful restructuring if they stick with the present board.

Institutional shareholders, who own some 69 per cent of American General's stock, appear divided on the issues with neither side able to claim decisive support.

Today's meeting is supposed to be the showdown but shareholders may yet be denied the chance to choose sides because the legal and regulatory manoeuvrings which have marked the intense five-week fight were continuing right to the bitter end.

Neither side was sure yesterday afternoon whether Torchmark's five nominees would be eligible to run for American General's board.

On Monday, Tennessee's insurance regulators ordered Torchmark to stop soliciting proxies because it had failed to file some required documents.

Torchmark challenged the ruling in a Tennessee court yesterday but neither company was clear whether shareholders would be given the opportunity to vote on Torchmark's nominees.

"We are intending to proceed with the meeting whether they're permitted to vote proxies or not," said Mr Jim D'Agostino, American General's treasurer.

Torchmark, an Alabama-based insurer with $5bn in assets, launched on March 26 a $50 a share, $6.3bn for American General which has some $32bn in assets. It withdrew the offer two days later after American General's board said it would only consider the bid after the annual meeting.

As an alternative strategy, Torchmark said it would nominate five candidates for *the six slots up for election on* the 15-member board.

It would also ask shareholders to back a resolution calling on the board to consider takeover offers from Torchmark or third parties.

The most persuasive argument Torchmark has is the tripling of its share price in the past five years, reflecting the success of cost-cutting and aggressive management.

In contrast, American General's share price slid from its record high of $46¾ in 1986 to $28 in February before recovering during the Torchmark fight to $39¼ yesterday, in total a paltry 20 per cent gain in five years.

The company spent the early 1980s buying companies and the latter years shedding them. In 1982 and 1984 it made the two largest takeovers in the insurance industry for a total of $2.7bn. It also paid $685m in 1988 for a consumer loan subsidiary of Manufacturers Hanover.

But it had difficulty integrating the acquisitions. To improve its flagging performance it sold off property-casualty businesses for $935m last year and spent more than $1bn buying back its own stock.

Restructuring measures helped boost first-quarter net earnings by 10.2 per cent to $107.1m but it is still well below its peak earning power of $848m for the full year of 1986.

Hewlett-Packard to take 5% Actel stake

By Louise Kehoe in San Francisco

HEWLETT-Packard, the US electronic instruments group, has agreed to acquire a 5 per cent stake in Actel, a five-year-old Silicon Valley semiconductor company, as part of a technology alliance.

The companies will co-operate in developing, licensing and manufacturing chips.

Actel specialises in the design of field programmable gate arrays, logic devices that can be customised by users to perform selected functions in computer systems and electronic equipment.

Actel's technology is unique because it allows users to program field programmable gate arrays in a matter of hours and at a very low cost, at a designer's desk. Traditional techniques require weeks to program these functions.

Terms of the equity investment were not disclosed. Under the five-year pact, Actel and HP will design a new, more powerful family of field programmable gate arrays that HP will manufacture and Actel will sell on the open market.

HP produces some chips for its own use, but does not sell them to outside customers.

In December 1989, HP announced an advance in sub-micron CMOS (complementary metal-oxide semiconductor) technology that allows HP to design extremely dense chips that greatly increase processor performance.

HP's equity investment in Actel is one of several in recent months,including the acquisition of Apollo Computer and Eon Systems and equity investments in Sequoia Systems 3Com and Octel Communications.

Chairman sees better financial performance

By Martin Dickson in New York

MR John Akers, chairman of International Business Machines, said the company expected a "substantially *improved financial performance*" this year and had been "encouraged" by its first-quarter results.

The group recently announced that first-quarter net earnings rose by 9 per cent from $950m in 1989 to $1.04bn – well ahead of market expectations.

Mr Akers acknowledged at the annual meeting that the company's performance in 1989 had not lived up to expectations, but he said it was beginning to see the positive effects of its recent restructuring.

By the end of 1990, IBM's workforce would have declined by a further 10,000, with the result that there would be 37,000 fewer people in its US business than at the 1985 peak.

He said the company was committed to expanding its presence in two markets where it had fallen down so far – laptop computers and home computers.

During the past four years the company had retrained more than 65,000 of its employees to work in product and programming development or customer sales and support.

The company's future looked bright, he added, with good market opportunities, *strong products, services and* business relationships.

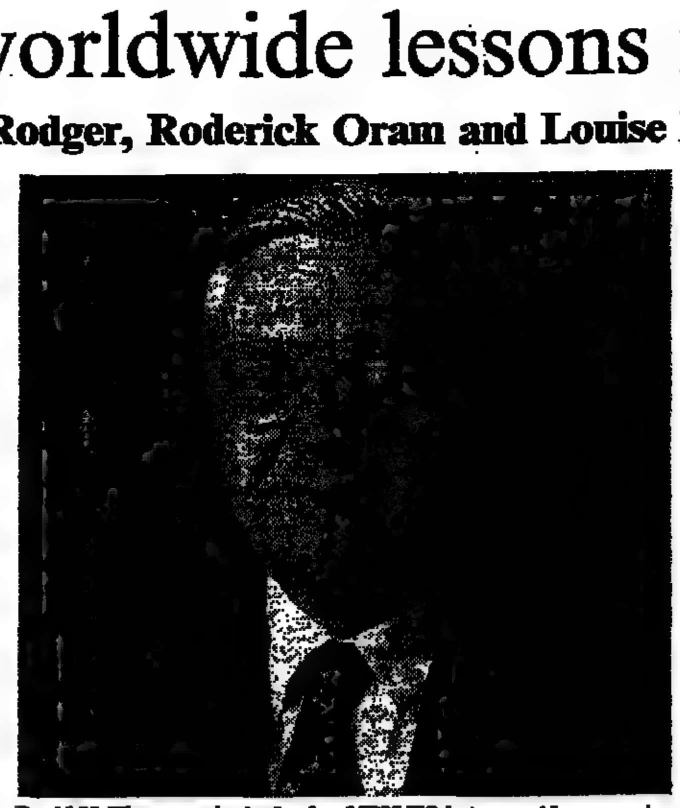
● Compaq, the US personal computer manufacturer, is expecting earnings to advance sharply this year, after the advance in the first quarter, Reuter reports.

Mr Daryl White, vice president finance and chief financial officer, said 1990 earnings were expected to be $430m or $9.75 a share, up from last year's net income of $333m or $7.45. First-quarter earnings were up 11 per cent to $92m, from $83m for the same period last year.

Mr White told a technology conference that growth in the company's European market would boost earnings in 1990, as the percentage of the company's international sales passes those of the US market. European markets now account for 90 per cent of international revenues.

IBM's worldwide lessons from Europe

Alan Cane, Ian Rodger, Roderick Oram and Louise Kehoe find a slimmer Big Blue



David McKinney: principal role of IBM HQ is to provide support

MANY books have been written about International Business Machines without mentioning Europe or IBM's European operations, so self-centred is the US computer industry.

Europe is now critically important to the world's most significant computer manufacturer. There are three principal reasons: management style, market growth and new opportunities.

Europe is first providing a model for IBM's efforts to strip away layers of bureaucracy, decentralise its decision-making and align itself more exactly with its customers' interests. These measures, IBM believes, will restore to health its ailing growth rate and profitability and revitalise its business worldwide. What it can achieve in Europe, the argument goes, it can also achieve in the US – if it learns the right lessons.

Mr Douglas Sweeny, the company's director of business strategy, based in IBM's Armonk, New York, headquarters, points out that the company went through an intense period of soul-searching between 1986 and 1987 which threw up telling differences between the company's operations in the US and in Europe.

These gave the parent company a powerful fix on the extent to which its bureaucratic style of management was out of line with its competitors.

He said: "Structurally, we discovered that we were not affordable in the US. David McKinney's predecessor in Europe, Michael Armstrong, *came in with comparisons* between IBM and other companies. These provided us with very specific understandings of how many people in these companies were in administrative positions above the branch office and how many people were out on the line."

Mr Armstrong was president of IBM Europe between 1986 and 1988; Mr McKinney, a 55-year old career IBM executive, is the present incumbent.

Mr Sweeny explained the dilemma: "We had this basic belief – and we still do – of the pursuit of excellence. We interpreted it as: 'Let's hire the best and brightest people we can but then let's put several layers of management above them to check that nobody ever makes a mistake.'"

The understanding of how much that approach was costing the company was the key to IBM's decision, first implemented in 1987 to cut away layers of management and move thousands of staff from administration into line jobs.

IBM's essential problem in the US was the homogeneity of a continent-wide market which encouraged a hierarchical style of management with an emphasis on centralised decision making.

Europe, in contrast, had always been a collection of small markets each with its own national structures. Mr Sweeny traces the beginning of IBM's revolution in Europe to the early 1980s when Mr Ennio Presutti, the president and general manager of IBM Italy, decided he wanted to go in a *different direction from the* product-driven strategy that characterised IBM's operations at that time.

He began to align the company's operations with his customer's businesses, creating a network of agents across the country who worked with and for IBM to develop solutions for customers.

It was an approach which was nurtured by Mr Kasper Cassani, chairman of IBM World Trade from 1981 to 1986. During these years, the blueprint for local solutions to local problems was laid down.

Now, Mr McKinney says, the principal role of IBM's headquarters management based in La Defense, Paris' business quarter, is to provide a support network across Europe, a unifying architecture around which a pattern of equity partnerships and joint ventures can be built.

Last month he made broad changes in IBM Europe's management system aimed at bringing the headquarters team and country managers closer together in planning and decision-making.

The changes, including the formation of a product management board and a business systems management board, formalise a debate which has been going on within IBM for some months over the need to balance decentralised, that is country level, decision-making with centralised co-ordination.

Mr McKinney said it was necessary to "improve the competitiveness of the company in in a marketplace requiring both a *national and an international* approach."

HE says the company is having to operate like a systems integrator, a commodity supplier and a facilities management operator, giving the example of Amadeus, the computerised airline seat reservation organisation, whose larger partners include Air France and Lufthansa, which is one of the largest developments IBM has carried out in Europe. It built the Amadeus computer centre, designed the systems and took responsibility for its performance, Mr McKinney says.

A second reason why Europe is important to the new IBM is because it is an engine for growth at a time when the US computer market is sluggish and looking likely to remain so for some time.

European operations account for one third of the company's sales and 43 per cent of last year's after-tax profits. *Each of* the principal European markets is growing much faster than the US company where growth last year was effectively flat.

IBM West Germany, for example, the computer manufacturer's strongest European market, saw its revenues increase by 14.2 per cent to DM8.387bn ($5bn) in 1989, while operating income improved by 12.6 per cent over 1988 to DM816m. In contrast with the US where some 35,000 jobs have been eliminated since 1986, the number of employees rose slightly from 30,712 to 31,055.

*And, according to Mr Hans-*Olaf Henkel, president of IBM Germany, the number of employees who have direct contact with customers as opposed to having administrative jobs has risen by 40 per cent in the past three years.

Sales of IBM Italy rose to L7,400bn ($6bn), a growth of 12.6 per cent over 1988 and it took on almost 1,000 new staff. Mr Presutti said: "The 900 young people who joined our personnel force in 1989 are a sign that we are looking forward to the 1990s with confidence."

IBM France reported sales growth of just over 12 per cent while the UK, adversely affected by rising inflation, the declining value of sterling and competitive pressure on exports, saw sales growth slip to below 7 per cent.

Industry observers worry that growth rates in Europe will slow as the penetration of computer systems in business approaches the levels seen in the US, *pointing to the problems* of Nixdorf of West Germany, now part of Siemens, and Norsk Data of Norway.

The ebullience of country managers like Mr Henkel and Mr Presutti is echoed by Mr McKinney. He has been in post since 1988 and has had the opportunity to assess the European environment. While he accepts there will be a slackening in the rate of growth in IBM's traditional markets, he believes other factors will compensate.

He said: "We expect that the computer industry and business in general will continue to grow in Europe. We expect some slowdown from the rates we saw in 1989 in 1990, but the move towards the single market in 1992 means that people are investing for that. There is also the excitement over eastern Europe. Furthermore, business use of computers is not so intensive here as it is in the US, so all of that is creating a healthier industry growth rate."

Political developments in eastern Europe and the opening up of hitherto closed markets, the third factor in Europe's importance to IBM, seems likely to have a beneficial spin-off for IBM. Soviet bloc countries have for many years *built commercial* computers based on IBM and Digital Equipment designs; the shock for east European countries in moving to western computer-based management systems is more likely to be cultural than technological.

Robotron of East Germany, for example has been building *computers* based on IBM designs for almost 20 years for Soviet bloc countries.

Last month, IBM said it had signed a letter of intent for a joint venture with Robotron covering sales of IBM equipment and software in the eastern bloc. The agreement covered the co-operative development of software and joint maintenance activities.

MR McKinney rejects accusations that IBM is simply joining the rush to form joint ventures with Comecon trading partners, pointing out: "We have been involved with eastern Europe for a long time. We have had *business* operations in Hungary and an office in Vienna which works with east Europe.

"We are hopeful that it will generate business opportunities. We have changed our strategy somewhat in that we have asked IBM Germany to be the focal point for eastern Ger*many and we are looking into* the changed governmental structures there to see how that will modify our approach to doing business. We are offering education and training."

Mr McKinney said he hoped the existing Cocom restrictions on technology transfer to eastern Europe would be relaxed.

Hard currency remained a problem. "But it is amazing how many IBMers there are in the US and Europe with Polish or Hungarian or Rumanian heritage who want to help. This, plus 1992, makes Europe a very interesting place to be right now."

Future historians of the computer industry will undoubtedly find *it* much harder to ignore Europe's place in the transformation of the world's largest computer maker.

This is the fourth in a series on IBM, the first three of which ran on April 24, 25 and 27.

Boeing's returns soar in opening quarter

By Alan Friedman in New York

BOEING, the aircraft maker that was last year hit by a 48-day machinists' strike, unveiled sparkling first quarter net profits of $302m or $1.31 a share, almost double the $151m or 70 cents net recorded in the first three months of 1989.

The first-quarter result, struck on 61 per cent higher revenues of $6.4bn, would represent a decline from $459m of first-quarter 1989 net earnings had the company not adjusted last year's figures to show a $298m special first-quarter credit stemming from accounting changes.

Boeing also said it would be splitting its stock three-for-two and declaring a second quarter dividend of 37½ cents a share, up from 30 cents. After the split the dividend will be 25 cents per share.

Wall Street reacted favourably to the results, marking shares up to $71¼.

Looking ahead to the second quarter, the company said it would show a $168m special gain from the sale to Hanson of the UK early last month of its 15 per cent stake in the parent of Peabody Coal.

Mr Frank Shrontz, Boeing's chairman and chief executive, said that among the company's key challenges this year would be the streamlining of operations in the defence and space business in order to lower costs and improve productivity. This would be achieved by consolidating all military and space divisions.

Defence and space sales in the first quarter totalled $1.4bn, up by $191m on the same period of 1989.

As for the likely shrinking of US defence business, Boeing yesterday said it expected few new programme starts, stretched production schedules and the cancellation of some projects because of the impact on Pentagon and NASA procurement budgets of "world events and continuing efforts to reduce the federal budget deficit."

The Seattle-based company said its total backlog of unfilled orders as at March 31 was $84.1bn, compared with $80.6bn at the end of 1989.

Argentina's telecom sale draws worldwide interest

By Gary Mead in Buenos Aires

ENTel, Argentina's state-owned telecommunications company which is due to be privatised by October 8 this year, has attracted interest from seven different international partnerships. Final adjudication of the bids is scheduled for June 28.

ENTel's sale is the test case for a wide-ranging privatisation programme, but it has already been dogged with political U-turns and last-minute changes in terms and conditions of sale.

Originally, 14 different companies showed interest in ENTel by purchasing the relevant sale documentation, though it is now clear that *only half of those have continued* with the bidding process.

The competition has slimmed down to Nynex and GTE of the US, Bell Atlantic in partnership with Manufacturers Hanover, also of the US, Stet (Italy), Cable and Wireless (UK), Telefonica (Spain) and France Cable et Radio. The next stage in the bid is on June 8, which has been fixed as the last date for accepting offers.

The Government plans to sell 60 per cent of ENTel, and divide it into two separate companies, ENTel north and ENTel south.

After considerable confusion, the Government finally settled on terms which stipulate the possibility of debt-equity exchange.

The bidders offering the largest amount of Argentine debt for equity exchanged are due to be awarded the company, with a minimum debt *exchange offer fixed at at total* of $3.5bn for the 60 per cent of ENTel on offer.

A total of $214m in cash plus a $380m purchase of Argentine government bonds, are also being asked for.

Chairman of US software group quits after losses

By Louise Kehoe

ASHTON-Tate, the financially troubled personal computer software publisher said Mr Edward Esber Jr, its chairman and chief executive, had resigned. His decision follows four consecutive quarterly losses and declining sales.

The once dominant software company specialises in data base management programs for personal computers. Ashton-Tate's share of the market for these programs has declined to around 40 per cent from 60 per cent during the past three years according to industry analysts.

For the first quarter, the company reported a loss of $1m on sales of $57m while a year *ago, it earned $11.5m on sales* of $89.8m. For the whole of 1989, Ashton-Tate lost $26.6m on sales of $265.3m.

Its problems stem largely from its inability to deliver a long-promised revised version of its widely used dBASE data base management program.

The new version of the program was announced in October 1988, but the company recently acknowledged that it could not say when the product would be shipped.

Sales of existing versions of the program have slumped as buyers wait for the new version.

Mr Esber, who held his previous positions at Ashton-Tate for over five years, will become vice chairman, the company said.

Mr William Lyons, formerly vice president and general manager of the company's applications group, has been *appointed president and chief* operating officer.

Dr Carmelo Santoro, an outside director and chairman and chief executive of Silicon Systems, has been elected non-executive chairman.

Chevron to sell oil and gas reserves

By Kenneth Gooding, Mining Correspondent

FREEPORT McMoRan Resources Partners, the 82 per cent-owned subsidiary of the Freeport McMoRan, the US natural resources group, is to pay $132m cash for oil and gas reserves owned by Chevron. The reserves are associated with Freeport Resources' Main Pass Block 299 sulphur discovery off the coast of Louisiana.

Freeport Resources said it will reimburse Chevron, the US oil and gas group, for $13m of costs incurred in developing the reserves which are estimated to total between 35m and 50m barrels of oil and 8bn cu ft of natural gas.

The company estimated it *would cost about $100m to* develop the reserves. Chevron has retained the right to participate in the proceeds of future production should the price or volumes of production exceed certain levels.

Freeport Resources said production would probably start late in 1991 and it would offer an opportunity to participate in the oil and gas acquisition to its partners in the Main Pass Block 299 venture: IMC Fertiliser Group (25 per cent) and Homestake Mining (16.7 per cent).

Freeport McMoRan, the parent group, announced last November it was to sell some assets and concentrate on its *copper-gold* mining operations in Indonesia and sulphur production in the US. In February it sold its 61 per cent-owned gold company to Minorco, the South African-controlled investment group, for $705m.

INTERNATIONAL CAPITAL MARKETS

Tesco £100m bond buy-in enlivens lethargic trading

By Andrew Freeman

ALL sectors of the Eurobond market were extremely quiet yesterday as public holidays saw the shutdown of most trading operations. Activity is expected to remain quiet until the results of the US Treasury auction next week are known.

The only sector to show more than a flicker of life was the Eurosterling market, where the latest in a recent series of buy-ins was announced by Samuel Montagu on behalf of Tesco, the UK supermarket chain.

Montagu said it would be in the market until 4pm on Thursday to purchase all or any of the £100m 10¼ per cent bonds maturing in 2015. Tesco said tax and other considerations made the buy-in advantageous.

By 4pm yesterday Montagu reported a strong response to the offer. An official said £68.9m had already been repurchased at the indicated spread of 130 basis points over the 9 per cent gilt-edged stock maturing 2008. At the time of the announcement the spread implied a price of £77¼.

INTERNATIONAL BONDS

The Tesco bonds were launched in November 1988 at a spread of 150 basis points over gilts. At the close of dealing on Monday the paper was trading around £74⅛ at a spread of roughly 167 basis points.

Rival syndicate managers welcomed the transparency of the buy-in announcement, saying the way it had been handled meant that no group was disadvantaged.

Coincidentally, Next, the UK retailer, announced that it had purchased for cancellation £5.1m of its 5¾ per cent convertible bonds due to mature in 2003.

There is now some £85.9m outstanding.

● Two leading executives involved in Citibank's bond trading and foreign-exchange activities have resigned, Reuter reports.

A Citicorp official declined to give an explanation for the departures of Mr David Jones, who headed the bank's liquid markets division, and Mr Lawrence Isabel, who was in charge of fixed-income trading. "They've resigned to pursue other interests," the official said.

The liquid markets division includes government and municipal bond and foreign-exchange trading.

Sun Life to extend global reach

By Bernard Simon in Toronto

SUN LIFE Assurance, Canada's largest life assurer, is seeking to expand its international operations in response to increasingly disruptive business conditions which it predicts will accompany Canadian financial services reform.

Mr John McNeil, chairman, told the annual meeting in Toronto yesterday that, with the high cost of starting operations abroad, the company would prefer acquisitions or joint ventures. It is believed to be especially interested in expanding in continental Europe and the Far East.

Mr McNeil said Canadian life assurers had the advantage of being relatively large with a broad, international perspective of the insurance business.

Sun Life, with total assets under management of C$54bn (US$46.5bn) at the end of last year, already has a substantial presence outside Canada. It is the second biggest group life assurance underwriter in Britain and owns the 14th largest mutual funds distributor in the US. The company also has a sizeable operation in the Philippines.

In Britain the company is close to completing a £200m (US$328m) bank loan to finance its recently-formed mortgage loan company, Sun Life of Canada Home Loans. The new venture is an effort to garner the estimated £200m to £300m of mortgage business which its insurance agents were referring to building societies each year.

Mr McNeil said financial service reforms in Canada aimed at broadening the functions of various types of institution "will probably lead to disruptive market conditions in the medium term. There will probably be irrational competition as new entrants charge inadequate prices in an attempt to gain market share."

Sun Life has broadened its base in the past year by acquiring a trust company specialising in term deposits and residential mortgages, and has taken a 30 per cent stake in one of the country's largest residential real estate brokerages.

● Loblaw, the big supermarket affiliate of the George Weston group, posted first-quarter profits of C$16m or 17 cents a share against C$12.3m or 14 cents a year earlier, on revenues of C$1.8bn against C$1.7bn.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on May 1

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria 9½ 95	140	100	100¼	0	0	9.56
B.F.C.E. 8¾ 94	175	†95¼	95¾	0	−0¼	9.68
B.F.C.E. 9¼ 95	150	97⅝	98⅛	0	−0¼	9.74
Brit. Tel. Fin. 9¾ 98	250	†97¼	97¾	0	−0¼	9.80
Canada 9 96	1000	97⅞	98⅛	+0⅛	−0⅛	9.42

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 5½ 95	80	95¼	95⅝	−0⅛	0	7.27
Cr.Local France 6¼ 94	300	95¼	95¾	0	+0¼	6.66
Denmark 6¾ 95	300	95¼	95¾	0	+0¼	6.67
Denmark 7 95	400	98⅝	98⅞	0	0	7.31
E.I.B. 4⅝ 93	30	93⅞	94⅛	0	+0¼	7.28

Bank of Japan to undertake big reshape

THE Bank of Japan (BoJ) plans a big reorganisation amid changes to the financial and economic environment in Japan and abroad, Reuter reports.

It will be the biggest reorganisation at the BoJ since it was established in 1882.

The bank plans to reduce the number of departments at headquarters to 16 from 18 and create a new outlet in Washington. The BoJ currently has five overseas offices – in New York, London, Paris, Frankfurt and Hong Kong.

Money and capital markets will be monitored by a market operations division, which will be created in a new credit and market management department.

A new bank relations division and capital markets division will monitor activities of financial institutions both at home and abroad. The overseas research function of the present research and statistics department will be transferred to the reorganised international department.

This department will be in charge of currency market operations, international finances and international affairs.

The bank said the change was intended to strengthen its function as a central bank amid dramatic changes in the financial and economic environment at home and abroad.

The moves are also aimed at enhancing price stability and maintaining a safe financial system.

NMB in $50m Chicago real estate venture

By Barbara Durr in Chicago

THE real estate investment arm of NMB, the big Dutch bank, will provide more than $50m in financing for the restoration of a landmark Chicago office building.

The project, a joint venture between NMB Vastgoed Fonds and Chicago property developers Baldwin Development, will give NMB an equity stake in the 12-storey, Rookery building.

A total cost for the project is still being discussed. Renovation costs alone have been projected at $21m.

This is NMB's first venture into the Chicago real estate market, where the Dutch have become increasingly important players. They have recently passed the Japanese as the most active investors in Chicago downtown properties.

Two Dutch pension funds, Shell and PGGM, have recently taken equity stakes in the city's real estate.

The Rookery, located in the heart of the financial district, will offer 231,000 sq ft of office space by October and retail shops on the ground floor are due to open in August.

The announcement coincides, however, with a softening in prices for downtown office space and worries about a glut of space.

Seoul seeks fund switch to equities

SOUTH KOREA is to ask local institutions to switch investment funds from property into equities, Reuter reports.

Officials at the Economic Planning Board said the Government would ask securities houses, insurance firms and short-term finance companies to sell their real estate and buy stocks with the money raised.

The decision was taken late on Monday in a meeting of economic ministers, called after President Roh Tae-woo ordered the drawing up of a package to fight inflation and to end land speculation.

Companies not following government guidelines faced "punitive measures" in taxation and banking arrangements, officials said.

Yamaichi unit launches fund

YAMAICHI Investment Management Trust, part of the Yamaichi Securities group, has launched a German investment trust fund with a total subscribed amount of about Y10bn ($62.9m), Reuter reports.

The fund, which will mainly invest in but not be limited to West German shares, will have a four-year term. During the first two years investors may not withdraw their money.

● Ajinomoto, Japan's largest foods group, is setting up a financial subsidiary in Brussels. The company will be capitalised at BFr1.25m ($36m) and have five employees.

Last year Ajinomoto purchased Omnichem, a Belgian fine chemicals company producing pharmaceutical products, photo-sensitive chemicals and electronic materials.

US purchasing data cast shadow over Treasuries

By Janet Bush in New York and Deborah Hargreaves in London

THE Treasury bond market took another bit yesterday after the publication of the latest report by US purchasing managers, a popular guide to economic activity, which pointed to a slight rebound in the manufacturing sector in April.

The bond market had posted gains of as much as ⅜ point before the report but then fell sharply again. At midsession, some long-dated maturities were about ½ point lower and the benchmark long bond was quoted ⅜ point lower for a yield of 9.04 per cent.

The purchasing managers' index rose to 50.2 per cent in April – up from 48.8 per cent in March – topping the 50 per cent level above which the manufacturing economy is generally perceived to be expanding. The rise came after 11 consecutive months of decline and was above consensus estimates of an index of 48.9 per cent.

The report was seen in the bond market as a clear justification for the US Federal Reserve to tighten monetary conditions, although it is still unclear whether there is a consensus in favour of higher interest rates within the Federal Open Market Committee.

Comments early yesterday by Mr John Laware, a Fed governor, that the central bank had done "pretty well" as an inflation fighter and that inflation growth was an aberration suggested there is a camp of opinion which is not particularly concerned about price pressures.

There is still some important economic evidence to come this week, notably Friday's April employment report which will be examined closely by the Fed. There is also a gathering of Group of Seven finance ministers and central bankers, scheduled for Monday in Washington. There has been talk of a co-ordinated interest rate rise in the Group of Three – the US, Japan and West Germany.

■ UK gilts prices moved ahead slightly yesterday after a short squeeze edged the market higher. It was a dull day in the market as bond markets on the Continent and in Japan were closed for holidays.

Gilts traders were encouraged by the firmness of sterling, with the Bank of England's trade-weighted index closing at 86.9 after a previous close of 86.6. But the modest improvement in the price of the long bond was not due to much activity outside the individual market-makers.

The news that British Rail unions had accepted a 9.3 per cent pay offer came too late to have any real effect on gilts, but could give the market a boost today. One trader described it as one of the first pieces of good news the market has had on the wages front for some time.

The UK market remains cautious in the run-up to local government elections on Thursday.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	90-30	-01/32	13.83	13.52	13.39
		10.500	5/99	86-12	+05/32	13.12	12.79	12.47
		9.000	10/08	78-03	+10/32	11.96	11.67	11.43
US TREASURY *		8.500	02/00	96-12	-07/32	9.06	8.95	8.61
		8.500	02/20	94-16	-11/32	9.03	8.93	8.59
JAPAN	No 119	4.800	6/99	85.6816	-0.184	7.43	7.41	7.34
	No 2	5.700	3/07	88.7697	-0.271	7.17	7.14	7.28
GERMANY		7.750	02/00	93.2000	-	8.80	8.81	8.58
FRANCE	BTAN	9.000	02/95	96.2777	+0.001	9.99	10.01	10.12
	OAT	8.500	03/00	92.8300	+0.070	9.65	9.65	9.53
CANADA *		8.750	05/00	88.9000	-0.500	11.08	11.02	11.16
NETHERLANDS		7.750	01/00	91.9300	-	9.02	9.00	8.64
AUSTRALIA		12.000	7/99	91.2238	+0.080	13.69	13.76	13.42

London closing. *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Rating agencies' performance put on watch

Janet Bush on a series of dilemmas facing the US credit assessment industry

THE decision by Standard & Poor's, the US credit rating agency, to downgrade about $30bn of debt and preferred securities of Citicorp, the largest US bank, has again thrust the role and performance of rating agencies into the limelight.

Last week's announcement disappointed Citicorp and led to some confusion on Wall Street because of a significant discrepancy with Moody's Investors Service, S&P's leading competitor.

S&P lowered its long-term debt rating on the parent company to AA- but this is still a full notch above the equivalent rating by Moody's, put on watch for a possible downgrading two weeks ago. To add another perspective, Duff & Phelps, the Chicago-based agency, has maintained an AA- rating on Citicorp – equivalent to the new, lower rating by S&P – since May 1983.

In another variation between the agencies, S&P last week reaffirmed its rating on Citicorp's commercial paper while Moody's put it under review for a possible downgrading – following which Citicorp paid significantly higher rates for its commercial paper at its weekly auction.

The agencies face a series of dilemmas in a climate of intense scrutiny. Often charged in the past for being too late in making rating changes, they are trying to be more forward-looking – but this often opens them to criticism of being pre-emptive or short-term in their thinking.

They assert the "purity" of their analysis but are under intense competitive pressures. If one agency moves a rating the other inevitably feels under pressure to act as well. If an agency follows the lead of a competitor it is often criticised for being a "copy cat" – if it does not it is accused of failing to keep up with developments.

Most critically, the agencies have to balance their duty to investors by giving early warning of a deterioration of credit with potentially damaging consequences on financial markets and the issuers which pay their fees.

In the US, where ratings are so integrated into investor thinking that there is a direct correlation between a rating and the cost of money, for example in the commercial paper market, agency decisions are of central importance to companies.

Shearson Lehman Hutton, the brokerage, received $1.35bn in fresh capital from American Express, its parent, in response to threats of its commercial paper being downgraded late last year. The company simply could not afford to pay any more for its day-to-day borrowing needs in the commercial paper market.

Against a background of rising defaults and bankruptcies and a marked deterioration in the creditworthiness of banks, the responsibility of the rating agencies to make accurate and timely judgments has never been more formidable and they appear to have been making efforts to be more predictive.

Mr Richard Davis, president of money markets at Goldman Sachs, said: "Given the rapid deterioration of some credits due to their high levels of debt, the agencies have become a little quicker on the trigger." After a series of highly publicised defaults over the last year, the credibility of the agencies is on the line.

Some argue that efforts to perform under this scrutiny has led to some controversial decisions.

Mr Dan Donoghue, assistant to the chairman of Duff & Phelps' credit rating committee, a competitor of Moody's and S&P, said: "Part of the problem is that the agencies are under pressure from the investment community to be more prospective, more timely. If the way they respond to that is to respond more quickly to news, the risk is that you get too short-term an analysis."

Mr Kenneth Pinkes, director of financial institutions research at Moody's, said: "The way you provide more prospective ratings and avoid short-term judgments is by improving the quality of your staff, and we feel comfortable with what we have achieved.

"We have also often held a rating against dire predictions of gloom and doom and don't always get the credit for that."

IN late January, billions of dollars worth of pay-in-kind junk bonds of RJR Nabisco fell about 20 points in a two-day period, deepening the depression in the high-yield market, after Moody's cut its rating on the debt. The move was something of a *cause célèbre* in the junk bond market.

Critics suggested the downgrading was a blanket statement on the credit quality of the entire market – which is dominated by RJR's bonds – and did not reflect the credit condition of the company. They argued that RJR's programme of asset sales was going better than expected, that its credit profile was actually improving and that, in a market short on optimism, there was a particular responsibility to be cautious about a negative move.

The agencies argue that they must make objective judgments on a credit to serve investors. "Our job is not to prevent or create market chaos," said Mr Leo O'Neill, president of S&P.

Despite perennial criticism by issuers, who pay the agencies a fee to rate them, and investors who use their decisions, there is broad agreement that they do a good job given the increasingly challenging circumstances.

On S&P's downgrade of Citibank, Mr Davis of Goldman Sachs remarked with some sympathy: "The change was very slight. It would never have made it to the front page of the newspapers if people weren't so worried about credit in general."

This is the first of two articles examining the role of the US rating agencies. The second appears tomorrow.

Rhône-Poulenc and Rorer sign credit agreement

RHONE-POULENC, the French state controlled chemicals and drugs group, and Rorer Group of the US have signed a credit facility agreement with a group of banks to borrow up to $1.6bn to finance Rorer's takeover by Rhône-Poulenc.

The agreement was signed by a group of banks led by Société Générale, Barclays Bank, Chase Investment Bank and the Royal Bank of Canada.

The financing was a condition to Rhône-Poulenc's tender offer for Rorer, which expires on May 4.

The proceeds from the advances of the loan, which is an unsecured, multicurrency, revolving credit facility, will be used to finance and refinance the restructuring of Rhône-Poulenc's pharmaceutical business, to refinance certain debt, and for working capital.

London derivatives merger misses deadline

By Deborah Hargreaves

THE ACTION group meeting to draw up a plan for the merger of the London International Financial Futures Exchange and the Traded Options Market has missed its first deadline by failing to decide by the end of April on premises for the joint market.

However, a decision on a new location for the merged market is believed to be imminent. The group is still considering a move to the Stock Exchange floor or a trading arena above London's Cannon Street station.

The Stock Exchange is said to be willing to offer a five- to seven-year lease – an attractive option to a market that could move onscreen at some point – whereas Cannonbridge is asking for a longer-term lease.

The action group is under pressure to reach agreement on a joint market and is due to draw up a plan by the end of June. If everything goes according to plan the two exchanges could become one by October – perhaps initially trading under one governance at different locations. The talks are understood to have covered all aspects of the two markets and how they can be combined.

The Bank of England, which is chairing the discussions, is believed to be keen to promote the development of derivatives in London. A group of market users which banded together to push for a merger is also trying to keep up pressure for a quick decision.

One of the central issues being discussed by the merger group is the membership structure on both exchanges. Liffe members obtain trading rights by buying shares in the exchange, while LTOM has no members of its own and the right to trade on the market comes with Stock Exchange membership.

A way of meshing the two membership structures is under discussion and is tied to the financing of the joint exchange. LTOM has, in the past, been unable to raise its own funds for development, whereas Liffe has made periodic rights issues to raise cash.

The big cost savings that can be made by a merged market will be in joint staffing as well as cross-margining between options and futures.

The merger talks are also focusing on the growth of derivatives in London and how the growth rate can be increased. Users of the market have been asked by the merger committee to submit details on why they believe options have not achieved the levels of success in London that they have reached on the Continent and in the US.

London's lack of success in options has been an issue that has tested members of both markets for some time. Part of the problem has been in the structure of the Stock Exchange and options market.

Some market players say the lack of transparency in pricing large orders on the Stock Exchange can hinder activity in the options market – information on large trades is not released until the day after they are made. In addition, the exchanges need to encourage more retail participants by improving distribution of options and information on them.

One trader who uses both markets says: "We need more punters in there – if market-makers are making steady money on private clients, they will be more willing to make a sharp price for an institution."

SEC examines foreign tender offers

THE Securities and Exchange Commission is considering ways to make it easier for US investors to take advantage of foreign tender offers, AP-DJ reports.

In a recent speech, Mr Richard Breeden, SEC chairman, said he had asked staff to prepare a release that would "explore the possibility of permitting foreign tender offers to be extended to US holders, wholly on the basis of home country disclosure and procedural requirements, in cases where the US ownership is merely incidental to the transaction."

The release is expected to propose ways the SEC can encourage foreign bidders to include US shareholders in multinational tender offers. Foreign bidders often chose to exclude US shareholders from tender offers as they do not want to pay the additional costs of complying with SEC regulations, Mr Breeden explained.

He said: "I view the right of a US shareholder to dispose of his shares, along with all other holders in a multinational transaction, as one of the most important attributes of stock ownership.

"It should not be denied on the basis of nationality."

The release will ask for suggestions on what the US ownership threshold should be to justify relying on foreign regulations to protect US investors.

It will also ask whether a dollar threshold should be established for offers that are not subject to SEC regulations.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday May 1 1990: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Apr 30: Index No.	Fri Apr 27: Index No.	Thu Apr 26: Index No.	Year ago (approx): Index No.
1	CAPITAL GOODS (199)	816.15	+0.3	14.29	5.59	8.47	14.32	813.49	819.02	827.73	952.83
2	Building Materials (27)	994.59	+0.5	15.89	5.97	7.75	16.86	989.61	999.14	1011.04	1191.76
3	Contracting, Construction (36)	1278.36	-0.1	19.25	6.42	6.78	31.00	1279.21	1304.85	1332.55	1718.42
4	Electricals (10)	2341.60	+0.9	12.15	5.72	10.13	39.90	2320.14	2341.99	2364.06	2806.01
5	Electronics (29)	1734.70	+1.0	10.40	4.28	12.47	18.56	1717.35	1728.92	1738.58	2177.44
6	Engineering-Aerospace (8)	445.51	+0.2	14.41	5.23	8.27	9.03	444.61	442.33	448.31	0.00
7	Engineering-General (43)	449.88	+0.4	12.63	5.56	9.55	8.17	448.31	451.99	454.62	0.00
8	Metals and Metal Forming (6)	462.83	+0.7	25.42	6.73	4.44	0.53	459.60	457.99	465.38	537.92
9	Motors (16)	335.34	+0.4	16.58	6.72	7.05	9.47	333.92	337.85	339.19	319.88
10	Other Industrial Materials (24)	1480.16	-0.4	12.23	5.38	9.49	31.01	1485.47	1490.93	1508.13	1588.75
21	CONSUMER GROUP (178)	1158.49	+0.6	10.19	4.23	12.19	10.37	1151.43	1153.83	1166.03	1190.15
22	Brewers and Distillers (21)	1375.27	+0.1	10.36	4.01	11.71	12.62	1373.20	1369.52	1383.63	1319.37
25	Food Manufacturing (20)	1005.46	+0.4	11.05	4.68	11.24	14.80	1001.05	1009.95	1014.65	1030.46
26	Food Retailing (16)	2190.17	+0.1	9.90	3.58	13.06	15.05	2188.04	2196.38	2194.41	2155.24
27	Health and Household (13)	2413.96	+1.2	7.10	2.87	16.75	17.14	2385.03	2391.83	2420.98	2277.58
29	Leisure (32)	1275.99	+0.7	11.11	4.65	11.10	11.41	1266.85	1269.33	1286.34	1599.26
31	Packaging & Paper (13)	537.51	+0.6	13.22	6.04	9.72	11.66	534.25	538.82	547.75	574.63
32	Publishing & Printing (16)	3060.34	+1.0	10.99	5.87	11.49	50.81	3029.15	3080.13	3124.13	3566.61
34	Stores (35)	701.02	+0.6	12.60	5.24	10.26	2.12	696.89	690.43	703.49	779.99
35	Textiles (12)	449.92	+0.5	14.09	7.92	8.45	3.77	447.50	454.47	461.30	534.84
40	OTHER GROUPS (105)	1066.74	+0.7	11.68	5.35	10.24	9.12	1059.71	1060.23	1074.42	1070.37
41	Agencies (17)	1484.78	+0.9	6.43	2.65	18.86	12.89	1471.39	1472.61	1480.21	1286.04
42	Chemicals (23)	1154.92	+0.5	12.38	5.71	9.45	23.08	1149.10	1138.16	1155.60	1226.13
43	Conglomerates (14)	1494.41	+1.0	10.72	6.54	11.05	10.75	1480.08	1495.44	1523.94	1572.34
44	Transport (13)	2094.69	......	11.30	4.70	11.24	25.71	2093.96	2103.71	2129.03	2411.88
46	Telephone Networks (2)	1032.70	+1.3	12.29	4.96	10.58	0.00	1019.16	1021.64	1033.71	1084.26
47	Water (10)	1820.20	-1.0	19.15	7.44	5.70	0.00	1837.84	1832.47	1855.71	0.00
48	Miscellaneous (26)	1714.60	+0.5	11.01	4.94	10.17	18.48	1705.56	1697.03	1717.16	1462.14
49	INDUSTRIAL GROUP (482)	1057.61	+0.6	11.68	4.91	10.43	11.59	1051.74	1054.64	1066.73	1119.75
51	Oil & Gas (18)	2127.09	+0.7	11.74	5.67	10.37	36.63	2111.34	2126.11	2168.43	2015.44
59	500 SHARE INDEX (500)	1147.02	+0.6	11.83	5.02	10.42	13.59	1140.35	1144.17	1158.65	1195.76
61	FINANCIAL GROUP (110)	739.56	+0.5	-	6.17	-	18.31	735.74	739.09	751.20	736.87
62	Banks (9)	777.39	+1.1	21.20	6.90	6.18	24.92	769.17	766.65	771.41	730.53
65	Insurance (Life) (7)	1220.17	-1.0	-	5.02	-	36.94	1232.29	1248.41	1273.51	1055.21
66	Insurance (Composite) (7)	624.48	+0.3	-	6.62	-	19.43	622.62	629.35	640.93	582.93
67	Insurance (Brokers) (7)	1035.75	+0.1	8.29	6.29	15.92	27.41	1034.84	1040.86	1044.76	949.32
68	Merchant Banks (7)	406.85	+0.9	-	4.68	-	4.85	403.22	407.80	414.92	331.40
69	Property (48)	1062.15	+0.5	8.62	4.23	14.75	8.07	1056.62	1070.02	1079.93	1308.86
70	Other Financial (25)	293.06	+0.6	15.22	7.62	8.67	4.23	291.32	291.62	298.48	370.01
71	Investment Trusts (67)	1121.22	+0.7	-	3.42	-	9.53	1113.92	1125.83	1138.84	1118.86
91	Overseas Traders (5)	1281.91	+1.0	10.29	7.12	11.33	42.87	1269.70	1272.80	1284.00	1390.59
99	ALL-SHARE INDEX (682)	1049.21	+0.6	-	5.15	-	14.48	1043.16	1047.08	1060.85	1083.96

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Apr 30	Apr 27	Apr 26	Apr 25	Apr 24	Year ago
FT-SE 100 SHARE INDEX ♦	2117.9	+14.5	2126.0	2111.4	2103.4	2106.6	2133.6	2143.1	2159.9	2103.1

FIXED INTEREST

	PRICE INDICES	Tue May 1	Day's change %	Mon Apr 30	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	112.38	+0.16	112.20	-	4.19
2	5-15 years	113.39	+0.43	112.91	-	4.96
3	Over 15 years	116.33	+0.62	115.61	-	4.16
4	Irredeemables	129.88	+0.64	129.05	-	6.12
5	All stocks	115.03	+0.36	114.61	-	4.65
	Index-Linked					
6	Up to 5 years	141.28	+0.17	141.04	-	1.49
7	Over 5 years	131.17	+0.29	130.79	-	1.38
8	All stocks	131.83	+0.28	131.45	-	1.38
9	Debentures & Loans	94.49	+1.48	93.11	-	3.30
10	Preference	74.39	+0.63	73.92	-	2.07

	AVERAGE GROSS REDEMPTION YIELDS		Tue May 1	Mon Apr 30	Year ago (approx.)
	British Government				
1	Low	5 years	12.15	12.18	9.80
2	Coupons	15 years	11.85	11.94	9.22
3		25 years	11.74	11.85	9.03
4	Medium	5 years	13.47	13.55	10.73
5	Coupons	15 years	12.36	12.44	9.69
6		25 years	11.90	11.97	9.23
7	High	5 years	13.58	13.65	10.84
8	Coupons	15 years	12.68	12.75	9.92
9		25 years	12.20	12.27	9.43
10	Irredeemables†		11.75	11.83	9.04
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.91	4.97	3.62
12	Inflation rate 5%	Over 5 yrs.	4.29	4.31	3.62
13	Inflation rate 10%	Up to 5 yrs.	3.90	3.95	2.69
14	Inflation rate 10%	Over 5 yrs	4.11	4.13	3.45
15	Debs &	5 years	16.31	16.70	12.52
16	Loans	15 years	14.02	14.44	11.48
17		25 years	13.60	13.82	11.09
18	Preference†		12.48	12.56	10.21

♦ Opening index 2111.8; 9 am 2118.1; 10 am 2117.1; 11 am 2123.9; Noon 2124.9; 1 pm 2125.2; 2 pm 2123.9; 3 pm 2125.0; 4 pm 2118.7; 4.10 pm 2118.4; (a) 2.38pm (b) 8.34am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	67	0	12
Corporations, Dominion and Foreign Bonds	7	1	16
Industrials	352	275	955
Financial and Properties	177	139	412
Oils	37	16	36
Plantations	0	0	10
Mines	17	59	83
Others	39	83	133
Totals	716	573	1,657

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price	+or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
‡125	F.P.	-	128	110	Abl Leisure 10p	113		84.7	3.3	5.5	7.4
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+or -
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or -
[illegible]							
8165	NR	-	25pm	8pm	‡Other Resources Units	11pm	+1
550	NR	-	90pm	45pm	Paribas French Units	45pm	-43

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. § Offered to holders of ordinary shares as a "rights". † Introduction. ‡ Placing price. ¶¶ Reintroduction. ◊ Unlisted securities market. * Third Market. ‡‡ Units comprising 11 new ord. & 2 warrants.

TRADITIONAL OPTIONS

- First Dealings Apr 17
- Last Dealings May 4
- Last Declarations July 19
- For settlement July 30

For rate indications see end of London Share Service

Calls in; Aviva Pet., Control Securities, Dixons, Gaelic Res., Mecca Leisure, Parkway and Tusker Res. Put and Call; Ferranti.

LONDON TRADED OPTIONS

A NUMBER of big trades shortly before the close boosted turnover in the London traded options market yesterday. Turnover once again exceeded 40,000 contracts, with strong markets noted in Rolls-Royce and the Euro FT-SE.

Total turnover of 44,600 contracts – of which 25,264 were calls and 19,336 puts – surpassed Monday's total of 40,019.

The FT-SE trades amounted to 16,061, of which 6,789 were calls and 9,272 puts. The busiest series was the June 2100 puts which accounted for 1,380 lots.

Traders said a certain amount of bear closing had continued from Monday.

However it was speculation that MGA, a Dutch market-maker, was about to stop trading that excited the market late in the afternoon. The company was reported to have squared its books as it traded between 4,000 and 5,000. Most of the business was said to have been conducted with S.G. Warburg. After the market close it emerged that MGA was to continue trading and was merely seeking a fresh start.

Rolls-Royce was the busiest option of the day with 5,784 contracts traded, of which 4,924 were calls and 860 puts. The June 200 calls at 1,335 were the busiest series, as the market waited to discover the identity of a stake builder in the company. Kleinwort Benson was said to have purchased 1,000 of the June 220 calls in Rolls-Royce early on in the day and was reported to have also bought about 200 of the June 200 calls.

The second busiest trade was recorded in the Euro FT-SE. A total of 4,086 contracts were traded of which 1,710 were calls and 2,376 puts.

Hanson was the third busiest option as dealers reported good two-way business. A total of 2,750 contracts were traded, of which 2,622 were calls and 128 puts. Large trades were noted in British Gas and British Telecom.

The day was busy in the futures market. The FT-SE June contract opened strongly at a premium of 31 and dealers reported good buying activity.

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*422)	390	38	55	62	8	10	14
	420	20	36	44	20	24	25
	460	8	19	27	55	53	55
ASDA (*92)	80	17	18	21	2½	4½	5½
	90	9½	12	15	6	8	8½
	100	4	7½	11	11	13	16
Brit. Airways (*195)	180	17	23	28	4½	6½	8½
	200	6	13	16	14	16	18
	220	2	6½	9	31	31	31½
[illegible]							

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Unilever (*616)	600	45	68½	84½	13	17½	20
	650	18½	39	55	40½	43	44½
Ultramar (*324)	300	37	47	60	6	9	11
	330	18	28	42	16	22	25

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit Aero (*518)	500	27	55	65	9	18	30
	550	5	30	40	40	47	55
BAA (*380)	360	24	37	48	4	10	13
	390	6	18	30	15	25	28
[illegible]							

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Barclays (*510)	500	29	40	56	11	20	20
	550	5	19	32	42	45	45
Blue Circle (*201)	200	11	23	26	7	10	12
	220	4	10	16	22	24	25
British Gas (*191)	180	16	19	24	3	5½	7½
	200	4½	7½	13½	11	17	18
Dixons (*122)	120	11	16	19	11	13	15
	130	7½	11	13	15	19	22
Glaxo	750	42	72	87	17	27	34
[illegible]							

UK COMPANY NEWS

Ellis & Everard £29m cash call

By Jane Fuller

ELLIS & Everard, the chemicals distributor, is launching a £29m rights issue to fund the purchase of two US companies and provide a warchest for further acquisitions.

The Bradford-based group, in which ICI has a 26.5 per cent stake, will spend a total of $29.5m (£18m) on HVC, which has offices and distribution centres in Ohio and Kentucky, and Kramer, which operates in New Jersey and around New York.

Mr Peter Wood, in his first day as sole managing director of the group, said the move fitted in with a policy of acquiring regional distributors east of a line running from Chicago to Houston.

The one-for-three rights issue is being priced at 152p per share, a 22.4 per cent discount to yesterday's opening price of 196p. The shares closed at 180p.

Accompanying the announcement was a pre-tax profit estimate for the year to April 30 of £15m, compared with £11.8m last time.

Mr Wood said the past year's £290m sales were split about 55:45 between the UK and the US respectively. The HVC/Kramer acquisitions, plus recent UK buys, would drive up sales to about £380m this year and the balance would tip in favour of the US.

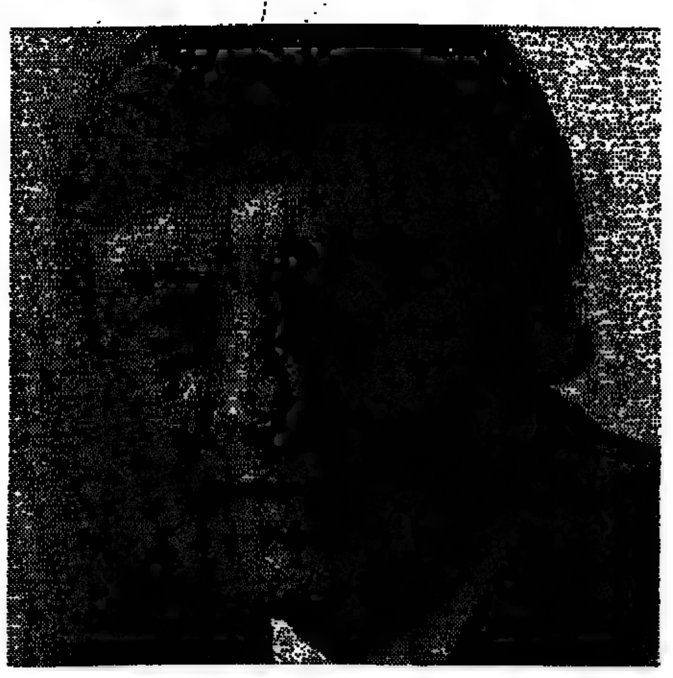
HVC, which is being acquired debt-free and with net assets of $8.9m, made a profit of $2.6m on sales of $46.4m in 1989. It made more profit in the previous year, which Mr Wood said was the first year of a management buy-out. "Since then, the eyes went off the ball a bit." HVC's share of the acquisition bill is $19.5m (£12m).

Kramer, a family run company, had sales of $55m and pre-tax-profit of $1.38m in the year to October 31. Net assets are $3.8m and the company has $6m debt. The purchase totals $10m (£6m).

Provisions totalling £2.6m have been made against the potential costs of cleaning up sites under US environment regulations.

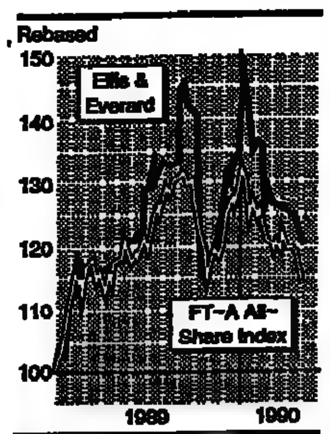
With £11m of the rights issue proceeds remaining, the group would have a warchest for further acquisitions, particularly in continental Europe. The problem was finding something at the right price when "too many were chasing too few."

ICI has agreed to subscribe for the the full 5.2m shares to which it was entitled and the rest has been underwritten by S. G. Warburg. De Zoete & Bevan is the broker.



Trevor Humphries

Mr Mike Marshall has become chairman of Ellis & Everard, replacing Mr Simon Everard, a descendant of one of the founders, who becomes non-executive president. Mr Marshall was formerly deputy chairman and joint managing director with Mr Peter Wood, who is now sole holder of that post.



● COMMENT

This may not be a propitious time for a rights issue, but Ellis & Everard is as well placed as any to make a go of it. The share price has outperformed the all-share index since last autumn, as it did for most of the previous year. In January, after a 54 per cent increase in interim pre-tax profit, the price reached 238p – outdoing the previous year's pre-October peak. The issue has been conservatively priced, the acquisitions have exemplary logic and gearing will be reduced from the high 30s to about 15 per cent. However, the shift in balance towards the US, where margins tend to be lower than the UK, will be coupled with some slowing of profit growth caused by more difficult economic conditions. The pre-tax forecast for this year is between £17m and £18m. In the short term the deal seems a safe bet, but it will take longer for significant earnings enhancement to work through. The intention is to increase the dividend by 11 per cent to 7p for 1989/90 and to at least hold that this year.

Camford defence riposte to Markheath

By Jane Fuller

CAMFORD Engineering, the motor components group involved in a heated takeover battle with Markheath Securities, has enlisted in its defence the growth prospects of the UK car industry.

In a riposte to Markheath's final cash offer of 330p per share, it has emblazoned the glossy booklet with cuttings illustrating a confident prognosis for UK car production and with a forecast 1m increase in the annual number built over the next decade.

Camford says that shareholders would see a reduction in dividend income if they were to reinvest in the motors sector. It also points to its share price, which at 331p is slightly above the offer price.

Points reiterated from previous salvos, include a forecast 87 per cent increase in pre-tax profit to £8m-plus, a property valuation that puts pro forma net assets last September at 323p a share and a forecast near trebling of dividend income by September 1991.

Markheath, a property company and investment vehicle for an Australian conglomerate, has already either questioned or raised its eyebrows at some of the share purchases above its offer price, although Camford has stressed that no rules have been broken.

While dismissing the argument about dividend reduction in other motor stocks as irrelevant, he questioned whether the proposed dividend policy was responsible because it would mean a lot of money leaving the company.

He claimed that the net assets per share figure was wrong because no account had been taken of relocation costs. On the profit forecast, he said he had had no answer to a question about the writing back of provisions into trading profit.

The final closing date is May 11.

ICI expects year to be reasonably satisfactory

IN THE wake of its announcement of better-than-expected first quarter figures on Monday, Imperial Chemical Industries told shareholders yesterday that it was looking for "a reasonably satisfactory year".

Speaking at the company's annual meeting, Sir Denys Henderson, ICI chairman, said that, at this stage, it was difficult to predict the outcome for the whole of 1990. However, he added: "Barring any further sharp economic downturn, I believe that the strength of our business portfolio should ensure that we have a reasonably satisfactory year".

ICI, he said, would continue to watch its cost base – an echo of comments which he made last autumn.

The first quarter figures were described as "encouraging", given the relatively difficult economic conditions. Sir Denys noted that strong profit growth of the biosciences businesses, pharmaceuticals, agrochemicals and seeds.

Responding to concerns of the "green" lobby, Sir Denys claimed that the chemicals giant was already taking action. "We are doing something about it," he maintained. "We are spending £100m a year on research and development and new plants."

"We are doing it just as fast as our people and our money skills will allow us," he said.

Sir Denys said that he hoped to find a commercial replacement for CFCs by the end of the century. "We believe that we are absolutely ahead of all the other chemical companies in the development of the replacement gas, 134A," he claimed. However, ICI, the UK's largest producer of CFCs, said it could not be the only company to stop production; "It has to be a worldwide phase-out," he remarked.

Sir Denys also denied any plans for a demerger of ICI's pharmaceutical division, claiming it was "an integral part of the group."

Owners Abroad

Owners Abroad said 29 per cent of its £17.25m rights issue of convertible preference shares had been taken up. The rights issue was launched to pay for the acquisition of a stake in Redwing, a UK tour operator and minority interests in the Air 2000 airline.

Ferranti chairman warns of substantial asset write-offs

By Michael Skapinker

MR EUGENE ANDERSON, the newly-appointed chairman of Ferranti International, said yesterday that a review currently underway of stock values and major contracts would result in "very substantial" asset write-offs.

Mr Anderson also said that management consultants were carrying out a review of the electronics group's businesses.

The conclusions of the review will be available before the announcement of Ferranti's results in July and will result in organisational changes aimed at making the company more responsive to its customers.

Incentives will also be introduced to extract a better performance from Ferranti employees.

Mr Anderson took over the chairmanship of Ferranti in February, following the resignation of Sir Derek Alun-Jones. Sir Derek stepped down after the discovery of an alleged £215m fraud against Ferranti involving ISC Technologies, its US subsidiary.

Mr Anderson told a Ferranti extraordinary general meeting that there would be both trading and extraordinary write-offs. He said that the write-offs would, for the most part, not have immediate cash flow implications. When combined with extraordinary gains from recent asset sales, the result would be "a modest addition" to shareholders' funds.

Eugene Anderson: making substantial changes

Since the discovery of the recent fraud, Ferranti has sold off several of its businesses for a total of around £400m. These included the disposal of its defence systems group to the General Electric Company of the UK for £270m and the sale of Ferranti Italia to Finmeccanica, the Italian state-owned defence and energy equipment group, for £78m.

Mr Anderson indicated yesterday that he would make substantial changes to the running of the remaining businesses.

He is being assisted by Coopers and Lybrand Deloitte, the accountancy and managing consultancy firm, and by Outram Cullinan and Co, a strategy consultancy in which Coopers has a stake. Mr Anderson gave no further details of the changes he was considering.

He said that when a new strategy and recovery plan were in place, Ferranti would approach its bankers "to revise existing banking relationships and agreements to new ones better suited to Ferranti's current position."

There was some criticism from shareholders of Mr Anderson's £275,000 annual salary and his options on 9.35m Ferranti shares. However, the meeting approved the grant of his share options.

North Scotland Investment buy

By Vanessa Houlder

North of Scotland Investment Company is buying Wightman Holdings, for up to 8.5m shares at 27.5p per share and a 14.4 per cent stake in Wightwood Industries for £400,000 in cash.

Wightman Holdings consists almost entirely of cash and gilt-edged securities, with total assets of £2.04m. Wightwood, which has interests in the building supplies sector, has a net asset value of £2.72m.

The North of Scotland Investment Company is proposing to change its name to Abtrust Scotland Investment Company.

J Holt higher

Joseph Holt reported turnover for 1989 of £15.16m (£13.41m) for pre-tax profits of £4.6m (£4.62m). The tax charge was £1.7m (£1.33m) leaving earnings per share for the period of 96.52p (89.54p). A final dividend of 19p (17p) is recommended making a total for the year of 26p (23p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Apollo Watch §	fin	0.5	July 4	0.45	0.5	0.45
Ashley Group	int	0.625†	June 15	0.6	-	1.25
BDA Holdings	fin	nil	-	2	nil	3.5
Beattie (James)	fin	3.8‡	July 1	3.4	5	4.5
Cargo Control	fin	0.1	July 6	nil	0.1	nil
LOFS	fin	1	July 2	0.6	1	0.6
Scottish Metal	int	3.4	-	3	-	7.4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡Carries scrip option.

BOARD MEETINGS

TODAY

Interims- Kwik Save, Multitrust, Royal Bank of Scotland.
Finals- BLP, Europa Minerals, Expedier Leisure, Fitzwilton, MBS, Stalok, Usher-Walker.

FUTURE DATES

Interims-

Alexanders	May. 15
Dunedin Worldwide Inv Tst	May. 15
Hanson	May. 14
Vaux	May. 14
Finals-	
Atkins Bros (Hosiery)	Jun. 5
Brent Walker	May. 9
Forward Group	May. 4
Hay (Norman)	May. 8
RIT Capital Partners	May. 10
Redamco	May. 11
Ropner	May. 8
Vinst	May. 15

Leasing contracts which failed to add up

David Owen investigates the collapse of Atlantic Computers and its effects on B&C

ON SEPTEMBER 29 1987, Mr John Foulston, forceful and charismatic chairman of Atlantic Computers and saviour of the Brands Hatch motor racing circuit, was killed in an accident at the Club Corner at Silverstone. He was 40-years-old.

On the eve of Mr Foulston's accident, it emerged that British & Commonwealth Holdings, then a fast-growing financial services group headed by Mr John Gunn, had acquired 7.15 per cent of Singer & Friedlander Group, the merchant bank, a relatively modest investment by its standards at the time.

In the years that followed the companies the two men had shaped were to become disastrously entwined.

Last month, B&C called in administrators at Atlantic, which it acquired in 1988, wrote off £550m against its investment and asked for trading in its shares to be suspended.

The debacle has led to hurried meetings of financial regulators under the auspices of the Bank of England and it has caused problems for a cross-section of blue-chip companies in the UK and elsewhere.

As early as 1983, Atlantic's customers included the UK Atomic Energy Authority, Lloyd's, BAT Industries, Hanson Trust, ICI and Penguin Books. It was the world's third-largest computer leasing company when it collapsed.

That all this could happen just 19 months after B&C paid £416m for Atlantic is remarkable. It is rendered all the more so by the fact that the industry was going through what some rivals describe as a relatively healthy period, in spite of intensifying competition from IBM.

"This is probably the best period that leasing companies have ever had," said Mr Stephen Mason, chairman of Capital Computers and a former Atlantic director. Capital has been involved in negotiations with the administrators to assume management of Atlantic's lease portfolio.

The key to Atlantic's problems must be sought, therefore, not so much in the business environment as inside the company. Internal documents and interviews with individuals close to the company paint a picture of poorly-structured and profligate incentive programmes, bad customer relations and inept central management.

A former employee claimed that the 40 or so sales representatives earned a total of about £4m in commission payments last year with which to top up their £40,000 a year basic salaries.

"The best ones would have £200,000 a year plus in commissions," he added. The car park at the company's Staines head office resembled a successful dealership a German car manufacturer.

Sales people fulfilling 150 per cent of their annual quota qualified for membership of the Eagle Club and an expenses-paid Mediterranean cruise with their spouses, said the former employee. The trip was cancelled this year.

Failure to correct operational shortcomings probably played a part in the company's demise. Yet neither these nor the surface complexities of computer leasing should distract from the underlying simplicity of the circumstances which brought downAtlantic.

Atlantic had reached a critical stage in its development with its once-explosive profits growth slowing down. Having soared from £3.84m to £21.39m between 1983 and 1985, pre-tax profit had climbed to only a restated £29.51m by 1987.

In addition it had been acquired by B&C, a neophyte in the computer leasing sector, which did not have the expertise to recognise the fragility of its new subsidiary's position. And, though Atlantic's accounting policies appear to have been perfectly legitimate, B&C appears to have been slow to grasp the full implications of the way they enabled Atlantic to exhibit such an impressive profits record.

Mr Gunn, B&C's chief executive, insisted at a press conference last month that Atlantic was investigated as thoroughly as possible before the acquisition. But the opinion that the company was built on sand was not uncommon at the time among those who followed the leasing industry.

Doubts had surfaced in the trade press. In May 1987, a long article entitled "Atlantic – your not so flexible leasing friend?" in Computing magazine highlighted some of the concerns, particularly doubts over customer relations. (The criticisms raised by the article were rebutted, more or less, point by point by Mr Mason.

The way in which B&C snapped up Atlantic had distinct parallels with the group's earlier attempt to take the commodities trading sector by storm with Kaines. That undertaking also ended in tears, in the wake of a disastrous misreading of the copper market in 1986.

The principal engine of Atlantic's growth had been Mr Foulston's brainchild, the Flexlease. It offered customers the ability to take advantage of advancing technology by upgrading their computers, yet which appeared, at least initially, to be competitively priced.

Unfortunately, it also resulted in the accretion of a mountain of contingent liabilities, which went unrecorded in the company's accounts.

On a typical Flexlease, a customer signed two documents, an orthodox finance lease with a six- or seven-year term committing it to make quarterly payments to a third party lessor, usually a bank and a separate agreement with Atlantic.

The lessee had the option to upgrade to new hardware after two or three years ('the flex'), provided that the upgrade was arranged by Atlantic and that the new machine was of equivalent or greater capital value than its predecessor.

The lessee could also walk away from the lease altogether after perhaps five years ('the walk'), leaving Atlantic to make good the payments due to the lessor for the remaining term of the finance lease. This one or two year commitment after the exercise of a 'walk' was known within the industry as 'extended paper'.

There are four aspects of the Flexlease which should be borne in mind.

- Atlantic took its profit up-front when the agreements were signed rather than over the entire period it was in effect. The profit was the difference between the cost of the leased equipment, anywhere between £250,000 and £10m, and the payment received from the lessor for the associated stream of lease payments.
- When a flex was exercised a new lease agreement would usually be drawn up, extending the period of the customer's commitment for a further term.
- The customer tended to have little control over the price it was charged following the implementation of a flex. Copies of Flexlease contracts obtained by the Financial Times pledge that the lease rates charged for the new hardware would be "based on" the original lease agreement.

The costs incurred by Atlantic in terminating the old agreement, less any residual payment received for the discarded equipment, were often factored into the new charge schedule.

Mr Brian Wainwright, finance director at Swan Housewares in Birmingham, said he was told there would be a 40 per cent increase in payments when he attempted to flex onto more powerful IBM equipment. "It was outrageous. I think they were a thoroughly disreputable bunch."

Partly because of such customer resistance, post-flex leases are sometimes said to have been structured so as to maintain the first few years of payments at pre-flex levels. Any increase was pushed into the later part of the new lease term.

A customer who continued to 'flex' regularly need never reach the point where the increased payments began to be incurred. But clearly the sums outstanding, if imprudently treated, could mount alarmingly. "This in effect created a rolling lease with a bigger and bigger end that the customer never reached," said a former Atlantic director.

- A primary function of the 'extended paper' period at the end of a typical Flexlease was to enhance front-end profits. Spreading payment calculations over six or seven years, compared with the three to four years of the type of operating leases offered by many competitors, left plenty of room for building in a generous profit margin while remaining competitive.

But this was only achieved at the cost of incurring a contingent liability relating to the portion of lease payments that Atlantic would be committed to pay if the customer exercised its "walk" option. As the former director pointed out, "there is absolutely no sane and logical reason" why any customer would not do this, since it could almost certainly buy the same machine second-hand for considerably less than its remaining lease payments.

By the same token, it was rare for Atlantic to be able to recoup its now crystallised liability from the sale or re-lease of returned equipment.

"An analysis of transactions that have taken place suggests that the premise that residual values can cover 'walk' liabilities is not the case in a sufficiently large number of instances for it to be an acceptable policy," according to one executive familiar with Atlantic's lease portfolio.

Ironically, the company was praised for its prudence when, in its 1986 accounts, it stopped taking profits from anticipated residual values up-front, as had been the practice in some earlier leasing companies which had run into trouble, opting instead to credit them only upon realisation.

A lower but acceptable profit margin without contingent liabilities could normally have been achieved by writing a five-year Flexlease with no 'walk' option.

"The mistake that Atlantic made was to add on the extended paper," according to the former director. "You don't need extended paper to undercut an operating lease. They would not have been able to grow so fast, but all of the profits that the company made would have been real profits."

The way Atlantic chose to sell and account for its Flexleases had created a machine based on pyramid selling. As in all such situations, the "crystallisation" of liabilities was not a significant worry while the business continues to grow.

Once the crystallisation of liabilities begin rising faster than profits the problems start. In a bath without a plug, you can continue to bathe in comfort as long as the water is flowing in from the tap faster than it is running out of the plughole. Once the situation is reversed you are soon left high and dry.

It will never be known if Mr Foulston had contingency plans to counter the emergence of this sort of predicament. What is clear is that B&C did not. Indeed, the group appears to have been remarkably slow to recognise the implications of the liability exposure Atlantic had built up, despite an early programme to examine the quality of Atlantic's entire leasing portfolio.

By the end of June 1989, according to a provisional and incomplete briefing nots prepared by Atlantic's senior management and obtained by the Financial Times, liabilities related to 'walk' exposures had reached a startling £110.7m, after deducting amounts for anticipated residual values.

As part of a recommended solution management advocated making a £50m provision against "Atlantic's liabilities worldwide at the walk points of its off balance sheet Flexlease portfolio". The charge, offset by £50m of exceptional credits, was to be taken as an exceptional item through the 1989 profit and loss account.

"The recommended solution," Atlantic's management wrote, "represents a commercially honest answer for B&C to Atlantic's accounting problem in respect of walk liabilities, which is both acceptable in formal auditing terms and meets the critical B&C requirements of protected earnings with minimal balance sheet implications."

Viewed in conjunction with Atlantic's five-year profit record, these figures would have given B&C an indication of how little money its expensively-acquired subsidiary had really made during that period. Even at the pre-tax level, cumulative profits for the five years to June 30 1989 amounted to only about £127.4m, or £16.7m more than the liabilities after deducting anticipated residual values.

In the words of Sir Peter Thompson, B&C's recently installed chairman: "You could strongly argue that the company had not made anything like the profits which it had reported over the years."

Contingent liabilities were not Atlantic's only problem. Life-sapping structural and managerial weaknesses were also apparent.

The reward system for representatives, both those involved in selling the original leases and those reselling used equipment, seems to have been profligate even by the standards of a well-paid industry. It also seems ill-advised, giving sales people incentives to clinch deals that were not necessarily in the company's best interests.

The minutes of an executive committee meeting of the board of directors of Atlantic Computers plc, which took place on January 30 1990 reported that in one of Atlantic's European operations "the main concern expressed by — was that all the business was being negotiated and carried out on behalf of the company for personal gain by the management."

The minutes of a similar meeting of the executive committee on March 8 say "a cash incentive had been devised for the brokers to turn inventory into cash . . . The meeting expressed alarm at this and were very nervous that this could be open to all sorts of fraud and unprofessional practices."

"I have seen a number of deals over the past couple of years that we wouldn't have touched with a bargepole," said Mr Mason. "They were just done for the sake of the salesmen's bonuses."

Among the "preliminary and tentative" suggestions made by the Boston Consulting Group when asked by B&C to examine Atlantic earlier this year was "reorientating compensation scheme to reflect economic reality and incent appropriate behaviour."

The notes to the 1988 accounts of Atlantic Computer Systems plc show that staff costs in that year rose by 75 per cent to £6.04m, despite a decline from 180 to 164 in the number of employees, an average of £36,829. Commissions payable accounted for £2.65m of the total, up from £1.67m.

"My salesmen could expect to earn £50,000-£60,000", said the head of another rival leasing organisation. "But only if they work bloody hard. An Atlantic salesman would earn double that."

According to Mr Mason: "It had become more like a stockbroker's office than a computer leasing company. At the older Atlantic, it was 'watch the pounds and the pennies will look after themselves.' Until I left, the company worked from a basement room in Fetter Lane," an undistinguished address in the City of London.

Minutes of executive committee meetings also provide evidence of weak central management and insubordination in the ranks. The March 8 executive committee meeting, for example, opened with a report that "approximately £700,000 worth of extended paper liability" had been incurred against company policy during the second half of 1989 "mainly by the Hong Kong operation".

The minutes continue: "The Board refused to be intimidated by the threat of staff walking out etc and they believed it was — — —'s responsibility to resolve the matter."

Lack of management control was cited as a factor in a problem in the US that precipitated a "critical cash situation" at the company in the weeks before to its collapse. According to the minutes of a meeting of the executive committee of the board of directors held on December 11 1989, as much as £183m of group funds was committed in unfunded lease deals. These were transactions where Atlantic had paid for equipment leased to a customer but had been unable immediately to find a financial institution prepared to act as lessor.

Nearly three months later, "the UK core facilities of approximately £90m were tied up mainly in the working capital funding in the USA," according to another set of minutes. This meeting concluded that "formal B&C support was now required as a matter of urgency."

The minutes reported that Atlantic had received oral confirmation that funds would be available from B&C to meet its liabilities. But in a letter dated April 18, B&C informed Atlantic that an overdraft facility referred to in "our letter dated March 27 1990" and "any other facilities made available to you by ourselves or our subsidiaries" were withdrawn with immediate effect. This was one day before the administrators were summoned.

Further points highlighted by the Boston Consulting Group included the leasing company's "very poor reputation" in the UK and customers' growing sophistication in imposing "their own terms and conditions" on lease agreements.

BCG said, however, that "real opportunities for profit appear to come from the aggressive management of the equipment portfolio through the successful placing of second-hand equipment with customers".

Mr Michael Dudley, formerly of Comcap, a leasing group bought by Atlantic in 1987, agreed to assist the company on a consultancy basis from the beginning of 1989, advising specifically on the reselling of used equipment.

Mr Dudley had left the business, known before its acquisition as the most conservative of quoted UK computer leasing companies in its accounting, at the time of its purchase by Atlantic. By September, he had again severed links the company. His letter of resignation, which he says was actually written in March, stated that he could not support the Flexlease policy or the way in which it was accounted for.

Further problems pinpointed by the former Atlantic director included tendencies both to make naive assumptions about competitors' business acumen and to underprice the company's products. "The internal belief at Atlantic was that you had to price a Flexlease about 13 per cent below an operating lease. By selling at that price, they were effectively selling below cost," he said.

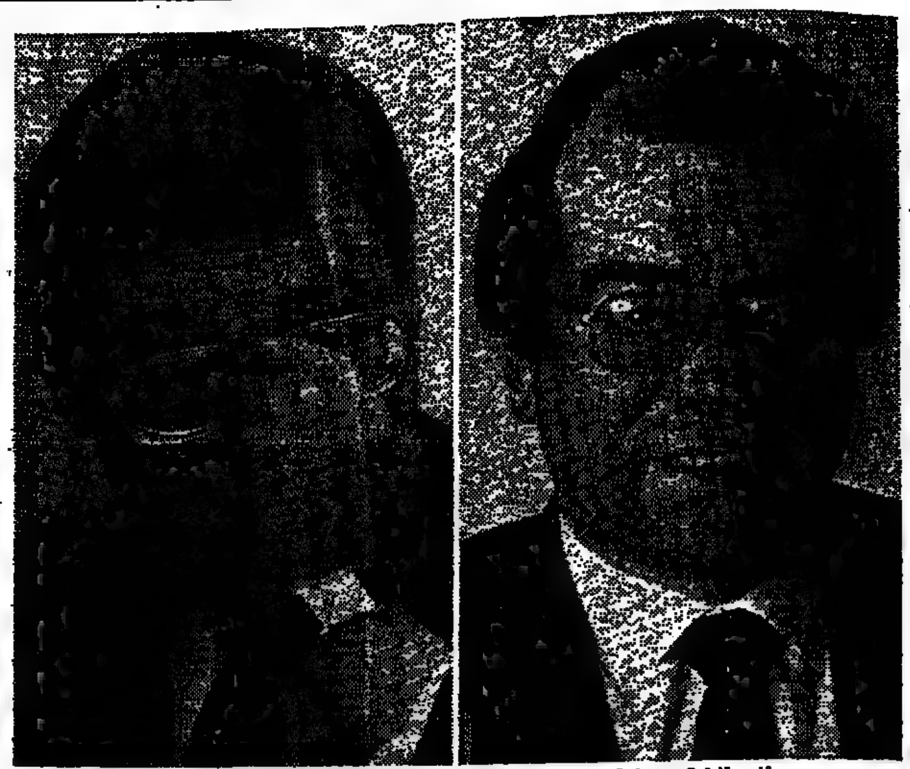
In conclusion, the B&C-Atlantic debacle provides an object lesson in how one injudicious, inadequately researched investment decision can blight the prospects of both predator and prey. It is not inconceivable that Atlantic could have been salvaged had it been taken under the wing of a leasing expert capable of identifying the danger signals early and acting accordingly.

B&C may yet not survive the financial hit which it has taken as a result of its inability to fulfil this role. Presumably, the need to resolve problems elsewhere in the group arising from its heavy debt load was partly responsible for B&C's failure to accord Atlantic the level of attention it needed.

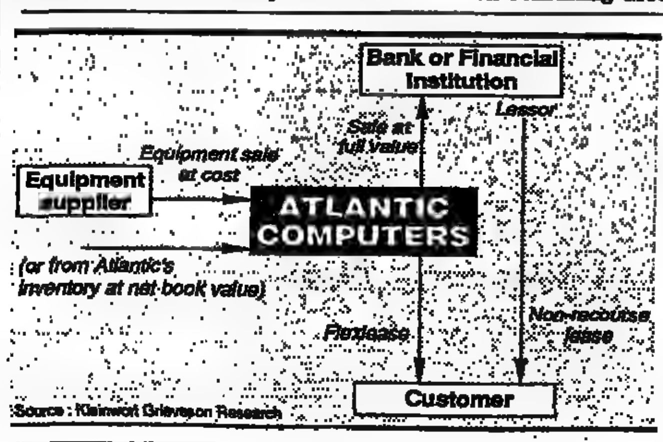
More general lessons include:

- Caveat emptor: acquirers, particularly those seeking to enter unfamiliar territory, should do everything possible to understand not just the target sector but also the precise position and prospects of the target company. Later, they should structure financial goals and incentives so as to nudge the new subsidiary in the direction they wish it to head.
- Small, fast-growing companies, as Atlantic once was, should not be greedy. It would have been possible to structure the Flexlease to be profitable without creating the contingent liabilities that were to come back to haunt the company.
- Anyone poised to enter a contractual obligation should read the small print. The wording of the two agreements that customers would typically sign to enter a Flexlease was clever, but it contained enough information for them to identify areas of possible future concern.

Finally, the tale has implications both for financial regulators and the accountancy profession. It might prompt regulators to reconsider the degree to which groups operating in sensitive financial markets should be free to expand into related, and unregulated, fields. And it could jolt accountants into undertaking a much-needed review of rules and standards for the leasing industry.



John Gunn of British & Commonwealth, (left) and John Foulston of Atlantic Computers: the two companies they shaped became disastrously entwined



Source : Kleinwort Grieveson Research

Atlantic negotiates an equipment lease with a prospective customer and either buys the machine in question from a supplier or procures it from its own inventory of ex-lease items. The company then sells the equipment, supported by the finalised lease, to a bank or financial institution which is prepared to act as lessor.

It retains an option to repurchase the residual interest in the machine for a nominal sum at the end of the lease-term. At this level, the group is in effect broking leases, supported by the creditworthiness of the lessee, often a blue-chip company.

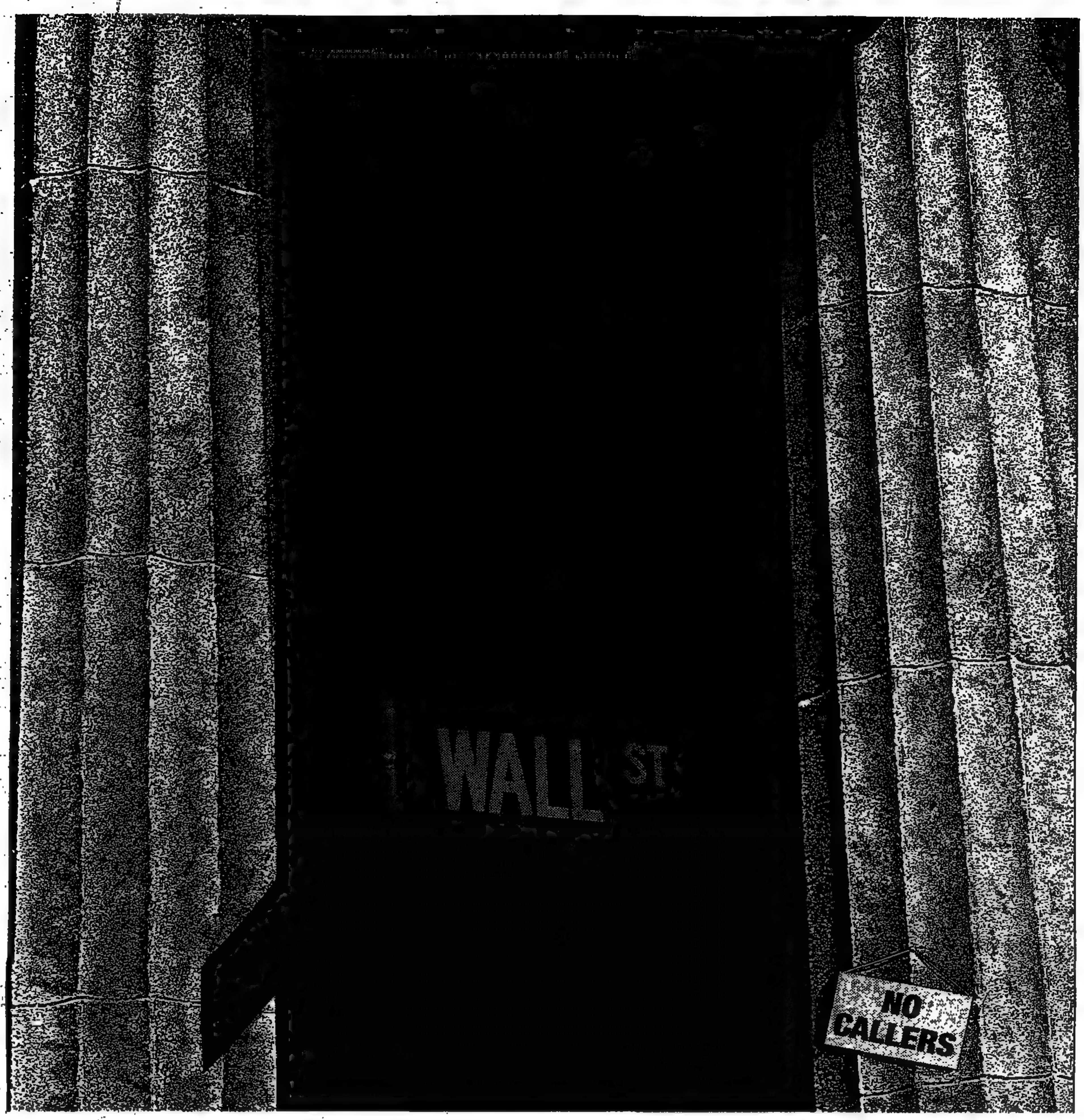
At the same time, an agreement is signed between Atlantic and the customer giving the customer the option of changing equipment after a certain time period has elapsed, provided that stipulated conditions are fulfilled.

The customer was often also given the right to walk away from its lease commitment a year or two before its scheduled termination. In such cases, Atlantic would be liable to the lessor to make good remaining payments.

DOING THE FLEX

To illustrate how Atlantic's contingent liabilities snowballed, take this hypothetical – but typical – example. It assumes that a seven-year Flexlease has been written on a £1.25m computer and that Atlantic's front-end profit is £150,000.

- AT THE OUTSET: The total cost to the lessee excluding interest is £1.4m, or £200,000 a year for the term of the lease.
- AFTER THREE YEARS: The lessee decides to exercise its "flex" option and change its equipment. A total of £600,000 has been paid, with £800,000 left to pay. The new computer also costs £1.25m, or £1.4m including Atlantic's profit, and agreement is reached to restore the lease's seven-year term.
- AFTER THE FLEX: The lessee is now asked to pay £1.4m, less £100,000 gained from the sale of the old equipment, plus the £800,000 outstanding from the original lease. This amounts to £2.1m in all, or £300,000 a year – a 50 per cent increase. From the lessee's viewpoint, it appears that a steep increase in annual payments is being demanded for a computer that is no more costly than its predecessor. He is understandably upset.
- THE DEAL: In order to clinch the deal and its resulting commission payment, the Atlantic sales representative therefore offers to allow the customer to continue paying at the £200,000 a year rate for the first three years of the new lease. This leaves the lessee needing to make £1.5m of payments in the last four years – or £375,000 a year. Should he again opt to "flex", however, as the sales representative might point out, a further opportunity to negotiate would arise, at which yet more future payments could be rolled into the back end of a new lease.
- THE SECOND FLEX: This is just what happens. For his third £1.25m machine, the lessee is asked to pay £2.8m over seven years. A somewhat higher annual payment for the front end of the lease is agreed.
- THE WALK: If the customer then decides to exercise his right to walk away from the contract after five years of the new seven-year term, giving six months' notice as required, he would leave Atlantic liable to settle the payments for the last two years.
- THE BILL: In this example, annual payments for the five paid-for years have averaged just £250,000, leaving Atlantic with a liability of £2.8m – £1.25m = £1.55m. If the customer had "walked" after five years of his first contract, Atlantic's liability would have been just £400,000.



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UK COMPANY NEWS

Globe chairman in fresh attack on Coal Pensions

By John Thornhill

MR DAVID HARDY, chairman of Globe Investment Trust, yesterday launched another fierce attack on the British Coal Pension Funds which are currently bidding £1.03bn for his company.

Seizing the chance to speak at the annual general meeting of Candover Investments, the investment trust which has close ties with Globe, Mr Hardy warned that if Globe fell then it would have a domino effect on other investment trusts.

"We shall fight resolutely and hope that we will save the investment trust industry," he said.

Globe, with assets estimated at £1.09bn and more than 40,000 shareholders, is by far the largest investment trust in the UK and has been seen as the flagship of the industry.

But Mr Hardy seemed pessimistic about the chances of repulsing the funds which have amassed a 33.8 per cent holding.

Goldman Sachs, the US investment bank, has been called in to assist Baring Brothers with Globe's defence. It is believed Goldman Sachs' expertise will be particularly useful in valuing Globe's portfolio of investments in unquoted companies, properties and overseas equities.

"I must say that there have not been many investment trusts which have fought off a predator," he said.

Mr Hardy criticised the funds for the privileges they enjoyed as part of a nationalised industry. Globe had avoided nationalisation in 1947, he said, and hoped to do so again.

Mr Roger Brooke, Candover's chief executive, said his trust had had a long and successful relationship with Globe – which has a near 16 per cent shareholding and which has invested in several of its projects.

He said: "It is very important for us that there continue to be a reasonable number of large independent institutions able to to invest money in the areas where we work."

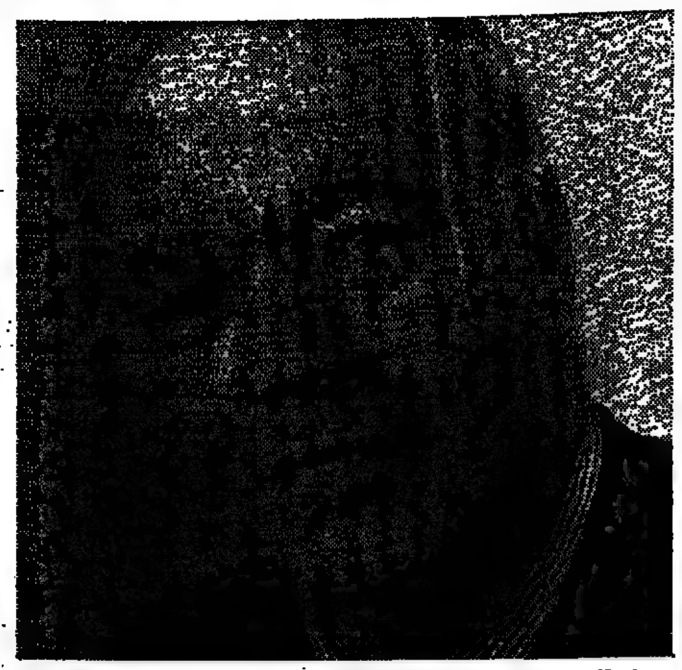
Mr Brooke added that investment trusts also provided one of the only means through which the private shareholder could invest in unquoted companies. He said he would now be writing to the relevant government departments to make such views clear.

● Candover, which specialises in funding management buy-outs, claimed that the UK industry's appetite for buy-outs had not diminished in spite of the tough economic climate.

In the first four months of the current year, Candover has invested in more transactions than in any comparable period in its history, Mr Brooke said.

"In general, the evidence from 1989 and the current year is that the buy-out industry in Britain is very much alive and that new areas of opportunity are opening up in Europe."

He warned however that it would be harder to maintain the rate of profit growth achieved in 1989. "It looks at present as if 1990 will be a year of increased investment for Candover rather than a year of realisations."



David Hardy: if Globe fell then it would have a domino effect on other investment trusts.

Bulk of STC profits expected in second half

By Alan Cane

STC, the telecommunications and information systems supplier which has International Computers as its principal subsidiary, would continue to trade profitably this year but the bulk of profits would be made in the second half, Mr Arthur Walsh, STC chairman, told shareholders at the annual meeting yesterday.

His warning followed earlier statements that there would be little growth in profits in the current year, after an excellent 1989 when revenue rose 11 per cent to £2.6bn and pre-tax profits 21 per cent to £278m.

Mr Walsh also reaffirmed the need to widen the company's international interests to meet the challenges of a market that was going through profound structural changes. It was a clear reference to his intention to find a partner for ICL to help defray the extensive research and development costs the company had to incur to stay on the leading edge of technology.

Mr Peter Bonfield, ICL chief executive, speaking yesterday after being named International Data Corporation's Computer Person of the Year, said the weight of profits would come in the second half because of new products from ICL which were coming on stream and because of British Telecom's ordering patterns.

98% take-up for Templeton rights

The £18.3m rights issue by Templeton Emerging Markets Investment Trust has been taken up in respect of 97.9 per cent of the units on offer.

The balance of the units have been sold in the market.

Each unit comprised five new ordinary shares and 2.19 warrants.

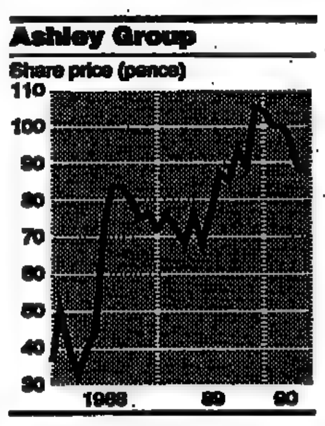
Enlarged Ashley surges ahead to £5.5m

By Vanessa Houlder

ASHLEY GROUP, the Spanish food retailer and window blind distributor, announced pre-tax profits of £5.47m for the 26 weeks to February 28, against £1.94m scored in 28 weeks a year ago. Turnover increased from £89.64m to £133.72m.

The company has evolved from Ashley Industrial Trust, a small manufacturer of plywood products and milk-float batteries. It was reorganised by Mr Tony Butler, previously a director of Dee Corporation (which subsequently changed its name to Gateway before being acquired by the newly-formed Isosceles group).

The company bought Digsa, a Spanish food group, from Dee in July 1988 and later spent £76m on Almacenes Castillo, a Spanish food distributor and Apollo, a Glasgow-based distributor of window blinds.



Digsa produced a 30 per cent increase in profits to £3.4m, helped by the Castillo acquisition and new store openings, in spite of the partial destruction of the Madrid distribution centre by fire last year. Like-for-like growth was 5 per cent.

Mr Butler said the company aimed to open at least 20 stores a year, building on its existing base of 180 stores. Acquisitions of existing stores and chains could bring its growth up to 20-25 per cent a year.

Apollo Window Blinds made profits of £2.2m, after maintaining volumes and margins in the UK and showing 40 per cent export growth.

Earnings per share rose 46 per cent to 4.11p (2.82p). The dividend is 0.625p (0.5p).

● **COMMENT**

Spanish supermarkets and English window blinds are an incongruous partnership but Ashley Group has established a respectable following by combining the two. Like the UK market in the 1960s, the Spanish food distribution sector is fragmented and should offer an acquisitive supermarket chain good opportunities for growth. The 5 per cent like-for-like growth, achieved in these figures was achieved in spite of a depot fire and should be bettered in the year ahead. Meanwhile, the window blind business – which offers UK earnings to set against ACT – has shown itself to be surprisingly resilient to the depressed UK housing market and the company is encouraged by the scope for developing an international arm. Assuming the company makes pre-tax profits of £13m in the full year, the shares up 4p to 92p, are on a fairly valued p/e of 10.

£7m buy-out at BPB offshoot

By Emma Tucker

Management at Metrotect, specialist in pipeline protection, has raised over £7m to buy the business from its parent company BPB Industries.

The West Yorkshire-based company, which exports 90 per cent of its output to the Middle East and Asia, manufactures hot coat and wrap pipeline protection materials as well as glass fibre-based outerwraps. Customers include oil, gas and water authorities, pipeline coating contractors and construction companies.

The £7m will cover the purchase price, capital expenditure and working capital requirements. Venture Capital 3i, the venture capital specialist, led the buy-out with a £3.5m equity and loan capital investment. County NatWest Ventures provided a further £1.5m. Banking facilities were provided by Midland Bank.

Mr Brian Thomas, managing director of Metrotect and leader of the buy-out team said that the MBO would give Metrotect more freedom to expand its markets and its products.

BDA falls £1m into red and omits dividend

By Clare Pearson

FURTHER evidence of the malaise in the property market in south east England emerged yesterday when BDA Holdings, housebuilder and developer, announced it had suffered losses and was not paying a dividend for the year to end-January.

After a tax credit of £541,000, it moved into a loss of £1m; that compared with £889,000 profit, after a tax charge of £484,000. Loss per share was 11.1p, against earnings of 9.8p from which a total dividend of 3.5p was paid.

But the shares rose 8p to 22p after the announcement yesterday. At the interim stage, BDA had incurred a loss of £755,000 and had there was no dividend.

Mr Brian Duker, chairman, said despite signs of an unsettled industry outlook, he expected the coming year would see BDA achieve "consolidation and controlled growth." He was satisfied it was adequately financed to achieve this.

Some progress towards reducing debt had been made since the year-end with the sales of a leasehold interest in a property in Northamptonshire for £960,000, and the sale of a development site in Essex for £274,000.

Gearing, which stood at about 135 per cent of net asset value last June, is now down to about 75 per cent.

Blame for last year's results was laid on much reduced residential sales and also a hardening in the commercial sector, with higher UK interest rates compounding the problem. Net interest payable stood at £284,000 (£165,000). Turnover plummeted to £6.06m (£8.57m).

The company sold two office developments in east London for £2.16m last November. But it intended to retain and refinance other current freehold commercial properties as investments, unless satisfactory sales could be negotiated.

Land bank values had been reduced and interest amounting to £288,000 written off.

Efforts were being made to boost residential sales through part exchanges, cash discounts and shared equity. No account has been taken of second mortgages in respect of shared equity schemes: at the year-end, the value of BDA's share of sales amounted to £376,000.

Cargo Control jumps to £295,000

By Peter Franklin

ON A fully adjusted basis, Cargo Control has almost doubled its pre-tax profit from £154,000 to £295,000 in 1989 and is returning to the dividend list with a payment of 0.1p.

The company, a former shell mining and minerals undertaking named Jantar, was acquired by Mr Stephen Parris and European Trust in April last year. Since taking control the new management, with Mr Parris as chairman, has changed its direction through a series of acquisitions.

These began with Cargo Control Equipment and Ty-Safe, manufacturers of load restraint devices. Mr Parris said that in the cargo and load restraint area the company had identified a highly fragmented and specialised field, in which it now held a leading position with some 60 per cent of the UK market.

Further purchases include Packaging Industries, a Teesside-based maker of wooden cargo containers, and Transequip (London), which makes cargo containers for many of the world's major airlines.

The latest acquisition was that of J&S Component Engineering. This company which was bought in December, reconditions components for public service vehicles, principally those of London Buses.

The results took in a full contribution from Cargo Control Equipment but there were no significant shares from Transequip or Packaging Industries.

Turnover rose to £1.84m (£1.04m). Earnings came to 4.7p (1.92p) and there was an extraordinary debit of £171,000.

Outstanding staying power.

Extracts from ICI Chairman Sir Denys Henderson's address to the Annual General Meeting of Imperial Chemical Industries PLC on May 1st 1990

The 1989 results were a record, and we exceeded £1.5bn pre-tax profits for the first time. Pharmaceuticals and Agrochemicals both had an excellent year and Colours and Fine Chemicals, Specialty Chemicals and Polyurethanes also did well. But it was a challenging year, with two distinct phases. During the first half demand was at record levels. In the second half growth rates slowed, particularly in the housing, construction and automobile markets in the UK and in North America. Businesses primarily involved in these sectors, that is, Paints, and Industrial Products including Explosives, ended up pretty well level pegging with 1988, but with good profits nonetheless.

There were some disappointments. Films had a difficult time. The Fertilizer business managed to contain its losses but was not able to get back into profit in spite of rationalisation in Europe and the actions we have taken in the UK and Canada.

Overall, the 1989 results demonstrate the value of a carefully focussed, robust portfolio and we are now seeing the benefit of the many changes we have made in recent years.

Sharpening our competitive edge

Change will continue. We are focussing single mindedly on activities where we are, and will continue to be, world competitive — technically, commercially and territorially. In 1989 we made nearly 50 acquisitions and divestments. Among those being completed this year I would highlight the acquisition of the Atlas Powder Co. This will give the ICI Explosives business a strong presence in the United States, thus completing our comprehensive coverage of the world's major markets. We also increased capital expenditure to more than £1bn and continued to invest in new businesses, such as Seeds, Advanced Materials, Imagedata and Biological Products.

At the same time, we have maintained very satisfactory financial ratios and increased research expenditure to almost £640m. Our return on net assets puts us amongst the world's most profitable chemical companies, but we are still able to devote sufficient resource to ensure our innovative capability for the future.

All of which are convincing reasons for recommending a final dividend, which at 10% above the previous year will be the seventh consecutive annual increase.

Opportunities worldwide

We are living through a period of historic change. Events in Eastern Europe have moved with incredible rapidity and, if adequate political solutions are found, there will eventually be a massive additional market for our products.

ICI has employees and offices in virtually all the East European countries, and we are well positioned to grow our business.

We must also take action in Asia Pacific markets, where around 40% of chemicals expansion in the next decade will occur. Since 1986 we have approved investment of more than £100m in Japan and last year we approved investment of £200m for plants in Thailand and Taiwan, where growth prospects are also good.

There are thus three major trading blocs for ICI products. North America, where we are now powerfully established. Europe, where we are thoroughly entrenched and ready to take advantage of EEC and Eastern European potential. And Asia Pacific, where we are investing strongly.

ICI and the environment

I have been much concerned in recent years that we should achieve steady improvement in our health and safety at work, and in our environmental performance.

As far as safety is concerned the Group's performance has improved significantly. Accidents in 1989 were 25% down on 1988. Nevertheless there were three fatalities. Each has led to a most demanding search for means to prevent re-occurrence.

We must also seek a significant improvement in our environmental performance where there is enormous change in public expectations. I believe there is a real imperative for ICI to be "World Class" in an environmental sense as well as in its business performance. This is how we are going about it.

First, we have placed improving our environmental performance high on the management agenda, with results being regularly monitored by the Board. ICI people and their families live in the community, often close to our plants, and we all share environmental concerns.

Second, we are intent on reducing emissions from our existing plants, for example, with new waste recovery plants. The level of investment and the rate of improvement in these areas will increase. We are also working with our customers to help them solve their waste problems by, for example, re-cycling CFCs and plastics.

Over £1.5 billion profit in 1989

A strong, balanced business portfolio

Change will continue

5 Queen's Awards

Leading edge of science

Innovation in environmental technology

Seeking significant improvement in environmental performance

Third, we are paying the closest attention to the environmental aspects of new plant design. Our new ammonia process has won the Pollution Abatement Technology Award, and has been chosen to represent the UK in an EEC-wide Awards Scheme. Our FM21 cells, for producing chlorine and caustic soda without using mercury, have just won a Queen's Award. Quietly, we are building a competitive edge in environmentally friendly technology.

Fourth, we shall continue to invest in research to increase our understanding of environmental issues. New facilities are being added to the Environmental Sciences Unit at Jealott's Hill and a £3m extension to the Group Environmental Laboratory at Brixham will open this year.

Fifth, we are bringing forward products which will reduce environmental concerns. We are leading in the difficult task of finding a substitute for CFCs in refrigeration and air conditioning. ICI's first plant should be completed by the end of the year. ICI resins have won the 1989 Dutch environmental award for 'Environmentally friendly products' and we are hoping for a favourable reception to the launch of our biodegradable plastic 'Biopol'. Changed public attitudes present us with new business opportunities where we can marshal technological resources to produce products which can turn our wish for a better environment, into reality.

Investing in Britain's future

Let me turn now to research, where in 1989 we increased our expenditure to about £640m. Over the last five years our research manpower has increased by 35% and we now have about 14,000 scientists and technologists. Their efforts are the principal source of innovation and the mainspring for our future growth.

It is also a very special UK asset. Our research represents 7% of manufacturing industry's R&D and science based companies like ICI are rare in this country. Two thirds of the UK's total civil R&D is carried out by only twenty companies who, in turn, are major exporters. If the UK is to continue to play a significant part in world trade, these resources have to be nurtured and applied internationally.

ICI research covers biological science and polymers and materials science from which the major growth areas of the 90s will spring and it has an academic funding programme which supports more than 50 University projects. Today's new products — drugs such as 'Diprivan' and 'Zoladex', and agrochemicals products such as 'Karate' and 'Force' — reflect investment made 5-10 years ago, when we began to increase the proportion of the Research budget which went into the biological sciences. We have stepped up our commitment to biotechnology — a powerful enabling technology for pharmaceuticals, plant breeding and agrochemicals.

This year's Queen's Awards are good evidence of ICI's inventiveness and our ability to convert it into valuable business. Besides the Award for the FM21 chlorine production cells, Awards for technological achievement have been made to ICI Colours and Fine Chemicals for a new class of polyester dyes; and to ICI Cellmark Diagnostics, jointly with the Lister Institute for Preventive Medicine, for discovery and development of genetic finger printing.

Awards for export achievement have been won by ICI Agrochemicals, which has doubled its exports in the last five years and to Cambridge Research Biochemicals, which was acquired by ICI in 1989.

Vision and change

ICI began life in 1926. Sixty three years on we are thriving, have grown into the UK's biggest manufacturing company and the super league of the world's chemical companies. This suggests outstanding staying power.

The first quarter results bear this out with profits before tax amounting to £414m — a considerable rebound from the depressed fourth quarter of 1989, but some £28m below the first quarter of 1989. Bearing in mind the more difficult economic conditions today by comparison with the early part of last year, this performance can be regarded as encouraging. Particularly noteworthy was the strong profit growth of the Bioscience businesses, Pharmaceuticals, Agrochemicals and Seeds, which achieved trading profits of £216m compared with £151m in the first quarter of 1989.

At this stage it is difficult to predict the outcome for the whole of 1990, but barring any further sharp economic downturn I believe that the strength of our business portfolio should ensure that we have a reasonably satisfactory year — and we shall continue to pay close attention to costs, as I urged in the autumn of last year.

The period ahead may be uncertain but I would emphasise that we are better prepared than at any time in our history both to seize opportunities and to embrace change. The strategic re-direction of the 80s has allowed us to enter the new decade in excellent shape, with much improved financial ratios, better productivity, stronger Research and Technology and a much more balanced, more international portfolio. We have the people too, men and women of all nationalities, who are the ultimate, enduring and vital competitive advantage of this Group.

I am convinced that the single factor which will ensure that ICI will continue to grow profitably worldwide, is the application with determination, consistency and farsightedness of those policies which are relevant to the times in which we live. It is our ability to anticipate change and adapt to it that has allowed ICI to flourish. We have exited the 80s with record profits and clear strategies which will carry us forward into the next century as one of Britain's very few genuinely international, science based, world competitive companies.

ICI

UK COMPANY NEWS

BAT's chairman gets 33% pay rise

By Nikki Tait

MR PATRICK SHEEHY, chairman of BAT Industries, the tobacco-based conglomerate which last month finally saw off the bid threat from Sir James Goldsmith's Hoylake consortium, received a 33 per cent increase in his pay last year.

Mr Sheehy's total emoluments rose from £452,255 to £601,813, according to the company's annual report, released yesterday.

The salary increase follows several other significant pay rises among top executives at some of Britain's largest companies. Earlier this week, for example, it was disclosed that Brian McGowan and Nigel Rudd, who head Williams Holdings, enjoyed a 50 per cent rise in 1989, and increases for top executives at Fisons, Reckitt & Colman, Unilever and Tesco – to name but a few – have exceeded 30 per cent.

However, Mr Sheehy's pay is still easily surpassed by the salaries of some of his counterparts at other large UK groups; Lord Hanson and Lonrho's Tiny Rowland for example received well over £1m last year. Total directors' remuneration at BAT rose from £3.54m to £4.59m last year.

The Hoylake bid struggle receives relatively brief mention in the report. Thanking shareholders for the backing they gave to the BAT restructuring proposals – which will slim the business down to two activities, tobacco and financial services – Mr Sheehy notes only that "in marked contrast to the overwhelming support we received," the consortium "received a derisory level of acceptances".

Patrick Sheehy: thanked shareholders for the backing they gave to the BAT restructuring proposals

Part of the restructuring scheme involved BAT taking powers to buy in and cancel up to 10 per cent of its shares.

Notices of the forthcoming annual meeting were not included in the report itself, but the conglomerate confirmed yesterday that it will ask shareholders to repeat this authorisation at the annual meeting. The company has so far bought in around 4.3 per cent of its equity and is currently in a "close season".

The new powers, if approved, would allow BAT to buy in a further 10 per cent in the 12 months following the annual meeting, although the company indicated yesterday that purchasing may not be quite as brisk as it has been recently.

The report makes clear that Sir Mark Weinberg will not be standing for re-election. Sir Mark resigned as a director of BAT during the bid struggle because he was also represented on the board of one of the Rothschild companies, and thereby connected to Hoylake.

BAT, meanwhile, has made no provisions for the US court case brought against its Brown & Williamson subsidiary by Liggett group, and in which Liggett has been awarded significant damages.

BAT said yesterday that a judicial review of the decision was currently underway, and with appeals possible the process could be lengthy.

Also mentioned under contingent liabilities is the issue of Proposition 103, the Californian insurance rate reform initiative, in relation to Farmers Group, BAT's Los Angeles-based insurance subsidiary.

However, BAT notes that the state Supreme Court allowed insurers to make "a fair and reasonable rate of return" and says that in view of this it believes there will be no material revenue reductions to Farmers or the insurance exchanges which it manages.

European Leisure gets 34.33% acceptances

By John Thornhill

EUROPEAN LEISURE, the night club and theme pubs group, received acceptances for 34.33 per cent of Midsummer Leisure's shares at the first close of its takeover offer and has extended its bid until May 11.

The all-share offer, which currently values Midsummer at about £75m, appeared to have run into the sand last month when Midsummer Leisure's board withdrew its recommendation following a heavy fall in the stock market and European Leisure's share price.

But Mr Michael Ward, EL's chairman, said yesterday he was extremely encouraged by the high level of acceptances at this early date and was confident of the powerful financial and commercial logic of the merger.

"I think we will secure the company because of the soundness of our case," he said.

But Mr Adam Page, Midsummer's chairman, said he was encouraged by the small level of new acceptances for EL's offer and still strongly advised shareholders to reject the approach.

Midsummer's shares perked up yesterday, climbing 4p on the day to 113p, while EL's shares remained unchanged at 63p valuing each Midsummer share at around 143p.

When EL launched its bid in early April its paper offer valued the pub, disco and snooker club operator at £88m.

NEMGIA refusing to pay £91m in Australian claims

By Patrick Cockburn

THE National Employers Mutual General Insurance Association is refusing to pay A$200m (£91m) in claims in Australia, while it asks creditors not to push it into a forced sale of assets.

The company has suffered losses through writing workmen's compensation business in New South Wales and Victoria in the late seventies and early eighties which is now producing escalating claims.

Mr Stanley Hallowell, managing director of NEMGIA, said yesterday: "Our lawyers have advised us that we would do well not to send any more money to Australia." He said he would not dispute reports that outstanding claims total A$200m.

NEMGIA was until recently one of the largest writers of employers' liability in the UK. Its failure to meet policyholders' claims in Australia would be a further blow to the reputation of the London insurance market already hit by the problems of London United Investments and its underwriting agent H.S.Weavers.

Mr Hallowell said that NEMGIA was asking creditors to sanction an arrangement which would "facilitate an orderly sale of assets rather than hold a fire sale." The assets in question mainly consist of remaining NEMGIA subsidiaries and shares in other insurance companies.

Nevertheless, Mr David Crawford and Mr Richard Grellman of Peat Marwick Hungerford, the accountancy firm, have been appointed provisional liquidators of NEMGIA's business in New South Wales, the state where the company did 60 per cent of its workmen's compensation business.

Mr Hallowell said NEMGIA had stopped writing workmen's compensation business in Australia in the mid 1980 but had faced escalating claims on old policies. The impact of these on the company had been increased at the end of 1988 when the Government of New South Wales had taken action to speed up the settlement of claims through the courts.

A spokesman for NEMGIA said that developments in Australia would not affect policyholders in the UK where the UK company has no remaining interests apart from a small London Market presence which will write no new business.

● Brokers seeking protection for clients insured through H.S.Weavers, formerly the largest underwriting agency for US liability business in London, are examining the possibility of using the Policyholders Protection Act of 1976 to meet claims.

Weavers has taken no new business and a draft report by consulting actuaries Tillinghast revealed that six London United Investments' subsidiaries needed to top up reserves by £75m to £100m to meet future claims.

An option being examined by brokers, led by Sedgwick Group and Marsh & McLennan, is to use the 1976 Act.

This Act was originally designed to protect non-business policyholders in the event of the insolvency an insurance company by meeting at least 90 per cent of claims through a levy, amounting to not more than one per cent of premium income, on the rest of the UK insurance industry.

Although companies are not protected under the Act, much of the business handled by Weavers was the collective liability insurance of partnership of lawyers, accountants and doctors in the US. Brokers believe that these may qualify for protection as partnerships are covered by the Act.

Beattie's cash store pulls profit up 10% to £8.8m

By Jane Fuller

HIGH INTEREST rates have not been all bad news for James Beattie, the department store group. It increased pre-tax profit by nearly 10 per cent to £8.77m in the year to January 31 thanks to a hefty advance in interest income.

Trading profit slipped to £6.28m (£6.41m) on sales up 3.5 per cent at £64.18m. Interest received shot up from £1.61m to £2.5m.

However, Mr Geoff Lowndes, joint managing director, remarked: "We have benefited because we are sitting on some money, but we certainly have not benefited at the till-face. We would much prefer a buoyant high street."

In future years he hoped to see a better return for the cash "by turning it into stores and trading than by playing bankers with it."

The £20m cash pile stayed roughly static last year, in which the company spent more than £3m on refurbishing the flagship Wolverhampton store.

But it was set to diminish as new stores were built at Worcester (1992) and Macclesfield, where the site had planning permission. These would bring the total to eight.

Sales in the first quarter of the current year were ahead of 1989, but the trading climate continued uncertain.

Results included a £480,000 bonus from changes in pensions accounting.

Earnings per share increased to 12.51p (11.25p). A final dividend of 3.8p will make a total of 5p (4.5p).

Triton likely to keep Europe stake

Shares in Triton Europe, the exploration company, fell sharply on Monday after Triton Energy Corporation announced that it was not likely to sell its 59.47 per cent shareholding in Triton Europe.

Triton Energy had previously announced that it was considering the possible sale of all or part of its shareholding in Triton Europe.

Triton Energy said it had received proposals from a number of parties to acquire its shareholding or selected assets of Triton Europe.

Mr David Jones of Triton Europe said that when the interested parties came to look at the assets, they made bids that Triton Energy did not think reflected the full value of the company. He added that the amounts being mentioned in respect of certain of the assets were more interesting.

NEWS DIGEST

LOFs 32% ahead to $1.32m

LONDON & Overseas Freighters, the UK tanker company, increased pre-tax profits by 32 per cent, from $1.01m to $1.32m (£800,000) in the year to March 31 1990. This marks another period of recovery for the group, which did not make an after-tax profit or pay a dividend between 1981 and 1988.

The revival in the world's tanker market helped fuel a 12 per cent increase in the earnings of LOF's two vessels to an average of $13,600 per day. The market value of each vessel increased by 31 per cent from $19m to $25m. Outstanding debt was reduced by 16 per cent from $19m to $16m.

These increases were partially offset by some non-recurring items, larger than expected increases in the vessels' biannual overhaul expenses and in corporate overheads.

Earnings per share rose from 4.3p to 6.2p and a dividend of 1p (0.6p) is recommended.

Apollo Watch advances 34%

The year 1989 has seen pre-tax profits of Apollo Watch Products advance 34 per cent, from £1.04m to £1.39m.

This USM-quoted maker of watch straps and designer and distributor of character watches achieved this on turnover advancing 48 per cent to £8.57m (£5.8m). And in the first quarter of the current year sales were ahead of 1989.

Operating profit jumped 52 per cent to £1.64m (£1.08m) but interest charges rose to £225,000 (£44,000) and there was goodwill amortisation of £32,000.

Earnings worked through at 1.87p (1.42p) and the dividend is stepped up to 0.5p (0.45p).

Blanchards makes inroads into loss

The reorganised Blanchards cut its loss substantially from £1.18m to £639,000 in the six months ended October 31 1989. Turnover fell from £4.07m to £464,000 following the sale of the principal florist and design businesses.

On the remaining interests, the directors said Blanchards Interior Contracts had been moved to Heston and was settling in, ready for growth. The Middle Eastern landscape contracts were approaching completion, and property realisations continued but not without difficulty.

They said the USM-quoted group was about to extend operations in fields "where there is a previous history of profitable operations".

Interest charged doubled to £168,000. After a tax credit of £24,000 (charge £5,000) and minorities £18,000 (£3,000), loss per share worked through at 7.87p (15.8p).

There was an extraordinary profit of £1.25m (debit £928,000) which arose mainly from the disposal of Moyses Stevens and Mirabelle Designs.

Scottish National earnings increase

Scottish National Trust increased after-tax revenue from £6.19m to £6.81m for the six months to March 31 1990.

Tax charge was £2.51m (£2.35m) giving earnings per 25p share of 3.69p (3.33p). The interim dividend has been raised from 3p to 3.4p.

Net asset value was 104.9p (148.8p) per capital share, 62.1p (59.5p) per income share, 130.9p (123.9p) per zero dividend share, and 113p (110.3p) per stepped preference share.

Losses double to £5.49m at Merlin

The continuation of its degearing programme left Merlin International Properties with pre-tax losses more than doubled in the six months to the end of December. The shares lost 5p to close at 12p.

Mr Dursley Stott, chairman, said that some improvement was expected in the second half. But he warned that the results for the year would prevent the payment of the next six monthly dividend on the preference shares.

The majority of the operating loss as well the losses of associates occurred in Australia. The company had concentrated on the second stage of disposal to eliminate negative cash flows resulting from Australia's high interest rates.

The interim figures showed pre-tax losses of £5.49m (£2.48m) made up of operating losses of £3.57m (£1.93m) and losses of associates of £1.92m (£550,000). The loss per share was 25.5p (14.5p) and the net asset value was reduced to 70p.

Blackland Oil turns in £415,750 loss

Blackland Oil, the oil exploration company reported a loss of £415,750 after tax for 1989.

Revenues for the period totalled £34,419, producing a gross profit of £2,991. The loss per share came out at 5.57p.

Mr Rupert Green, managing director, said the company had shifted its emphasis away from non-operating exploration interests in partnership with larger companies, and was now concentrating on the acquisition and development of smaller onshore oil and gas accumulations in the UK.

PUBLIC WORKS LOAN BOARD RATES

Effective April [illegible]

Years	Quota loans repaid by EIP†	Quota loans repaid Ann††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid Ann††	Non-quota loans A* repaid at maturity§
1			15			$15\frac{3}{4}$
Over 1 up to 2	$14\frac{7}{8}$	$14\frac{7}{8}$	$14\frac{1}{2}$	$15\frac{7}{8}$	$15\frac{7}{8}$	$15\frac{3}{4}$
Over 2 up to 3	$14\frac{5}{8}$	$14\frac{5}{8}$	$14\frac{1}{4}$	$15\frac{5}{8}$	$15\frac{5}{8}$	$14\frac{7}{8}$
Over 3 up to 4	$14\frac{3}{8}$	$14\frac{3}{8}$	$13\frac{3}{4}$	$15\frac{3}{8}$	$15\frac{1}{4}$	$14\frac{1}{2}$
Over 4 up to 5	$14\frac{1}{4}$	$14\frac{1}{8}$	$13\frac{5}{8}$	$15\frac{1}{4}$	$15\frac{1}{8}$	$14\frac{3}{8}$
Over 5 up to 6	14	$13\frac{7}{8}$	$13\frac{1}{2}$	$14\frac{1}{2}$	$14\frac{3}{8}$	14
Over 6 up to 7	$13\frac{7}{8}$	$13\frac{3}{4}$	$13\frac{1}{2}$	$14\frac{3}{8}$	$14\frac{1}{4}$	14
Over 7 up to 8	$13\frac{3}{4}$	$13\frac{5}{8}$	$13\frac{5}{8}$	$14\frac{1}{4}$	$14\frac{1}{8}$	$13\frac{7}{8}$
Over 8 up to 9	$13\frac{5}{8}$	$13\frac{1}{2}$	$13\frac{3}{8}$	$14\frac{1}{8}$	14	$13\frac{7}{8}$
Over 9 up to 10	$13\frac{1}{2}$	$13\frac{1}{2}$	$13\frac{1}{4}$	14	14	$13\frac{3}{4}$
Over 10 up to 15	$13\frac{3}{8}$	$13\frac{1}{4}$	$12\frac{5}{8}$	$13\frac{7}{8}$	$13\frac{3}{4}$	$13\frac{1}{8}$
Over 15 up to 25	$12\frac{7}{8}$	$12\frac{1}{4}$	12	$13\frac{3}{8}$	$12\frac{3}{4}$	$12\frac{1}{2}$
Over 25	$12\frac{1}{4}$	12	12	$13\frac{3}{8}$	$12\frac{1}{2}$	$12\frac{1}{2}$

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

COMMODITIES AND AGRICULTURE

Opec president calls for big production cuts

By Steven Butler

THE ORGANISATION of Petroleum Exporting Countries should cut between 1m and 1.5m barrels a day from current production in order to stabilise oil prices, according to Mr Sadek Boussena, the Algerian minister serving as Opec president.

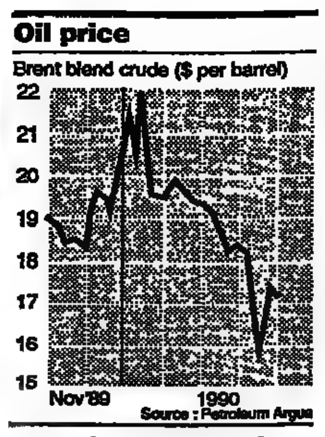
He was speaking in Geneva yesterday as the thirteen Opec oil ministers gathered for their emergency session aimed at propping up oil prices following a big drop since the end of March.

Reports coming from delegates to the meeting indicate that the ministers will be focusing on short term efforts to take an excess of crude oil supplies out of the market. The difficult issues – the Opec reference price, quota allocations, and production ceiling – will be saved until the formal semi-annual ministerial conference set for late June.

However, some of the principal objectives of the meeting appear well on the way to being reached.

Although oil prices are still below the Opec minimum reference price of $18 a barrel, *they had risen off the floor of* $15 last month. Brent crude oil for June delivery yesterday closed up 0.15 cents at $17.325.

Sadek Boussena: talks to prop up prices



Opec production is also already coming off the peaks hit in March. From a high of about 24m barrels a day, Opec production is thought to fallen to about 23.5m b/d. Some analysts believe it will continue to fall regardless of any action taken at the Geneva meeting.

"It is already happening by force of the market," says Mr Joseph Stanislaw, of Cambridge Energy Research Associates.

Mr Stanislaw says that weak oil prices, full storage tanks, and difficulties in marketing crude oil had forced producers to cut back output, and that these factors would continue to push down on supplies in the weeks ahead.

Opec's main challenge, he said, was to issue a pleasing statement to oil traders and try to take credit for what is happening of its own accord.

"I think this thing is cooked already," said one Opec watcher. "They recognise that they have to pump some good news into the market."

Opec ministers have been in intensive consultations by telephone in recent weeks, and there is widespread expectations that the meeting will be short, produce a show of unity, while announcing production cutbacks of a million or more barrels a day.

Saudi Arabia, Kuwait and the United Arab Emirates are all producing significantly above their quota. Libya, Nigeria, and Venezuela are over-producing to a lesser extent.

Early hopes that Opec would agree an across the board 5 per cent cut from all members now appear unrealistic. Some members, such as Iran and Iraq are already producing below quota. On the other hand, countries such as Kuwait, have questioned why some countries production quotas are set far below production capacity, while others are unable to produce their full quota.

These conflicts are unlikely to be addressed seriously at today's meeting, but the ground could well be laid for June's meeting. It is still unclear how the final communique will be worded to fudge over these differences this week, or whether it will add *strength to forces already at* work in the market.

"It will be good for oil prices, but I don't think they will rally significantly," said Mr Stephen Turner, an analyst at Smith New Court. "My guess is that oil prices will stay in the doldrums for two to three months from here."

Refining margins have remained very attractive, reflecting the continuing relative strength of refined product prices. Maintenance work has shut down a number of US refineries, which are capable of processing heavy, sour, or high sulphur crudes. When these refineries start up shortly, in preparation for the summer driving season, the huge surplus on the market of heavy, sour sulphur, crudes should begin to reduce.

One issue much talked about as late as March appears to have been pushed firmly off the agenda: lifting the Opec reference price above $18 a barrel for a basket of Opec crudes. Indeed the collapse of oil prices soon after the March meeting of Opec ministers looked very much like an effort by Kuwait and other big Gulf producers to undermine moves in that direction. They could well surface *again, however, depending on* the strength of oil prices running up to the June meeting.

Productivity in farming increases against the odds

By Bridget Bloom

THE UK'S farmers have succeeded over the past 10 years in increasing their productivity per head by nearly 40 per cent – in spite of unpredictable weather patterns and equally unpredictable prices.

According to figures published yesterday by the Ministry of Agriculture, output per head in agriculture rose by 4.8 per cent last year. Over the decade since 1980, the rise has been 36.5 per cent or an average of just over 3.5 per cent a year.

The figures, which are derived from combining the changes in volume of the agriculture industry's gross output and input appear in the new report on farm incomes in the UK*.

An increase in productivity and efficiency does not necessarily mean an increase in physical output: the rises over the last decade appear to have come about more because of a reduction in inputs than because of an increase in phys*ical output, which has* remained constant at around £11.9bn since the mid-1980s.

However, they are clearly important in signalling that in spite of decreases in net farm income over the period, the UK's farmers are continuing to produce more efficiently.

The figures also have obvious implications for the continuing European Community effort, through the so-called stabilisers and other reforms of the Common Agricultural Policy to control farm surpluses. This is particularly significant because it seems probable that other member states are showing similar patterns to that of the UK.

The UK report says that the agriculture industry's gross output is forecast to have risen by 6.5 per cent between 1988 and 1989, mainly as a result of increasing prices of some commodities.

The increase in the cost of gross input is set at 3.8 per cent with a 1.4 per cent reduction in the amount of physical input (such as fertilisers for seeds) being offset by a 5.3 per cent overall increase in their prices.

However, in addition to its forecast of a 4.8 per cent increase in productivity last year, the ministry includes another more modest estimate, based on comparing movements in gross output with those of all relevant inputs, including materials, capital and labour. This shows a rise of 1.6 per cent between 1988 and 1989 and 14.9 per cent since 1980.

"It is therefore clear that despite temporary setbacks due to the weather and other factors the industry has continued to increase its productivity over a number of years," the report concludes.

The report also confirms that total income from farming rose by 11.1 per cent last year, as announced in February.

● The UK's Intervention Board for Agricultural Produce which administers all the country's EC-supported commodities, is to move about a third of its operations from Reading to Newcastle, Mr John Gummer, agriculture minister, announced yesterday. The move should make it easier for IBAP to recruit staff, the minister said.

* *Farm Incomes in the UK, £19.90, HMSO, £16.70.*

Prospects improve for ventures between USSR and the West

By Steven Butler

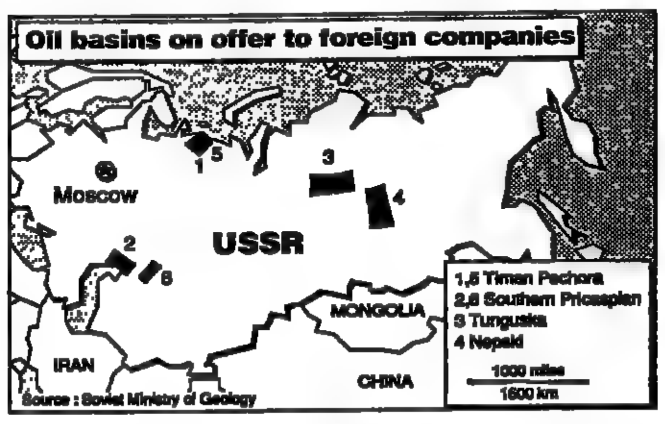
THE OUTLOOK for oil and gas joint ventures between Western companies and the Soviet Union's Ministry of Geology has brightened considerably following a conference in Moscow last week which clarified two critical issues.

It now appears likely that ventures will proceed without direct involvement by the Soviet Ministry of Oil and Gas along lines that are similar to production sharing agreements common in many countries.

The Ministry of Geology has been marketing packages of seismic and geologic data from six large areas through an exclusive contract with Jebco Seismic, a company which packages and sells geologic data. About 20 oil companies have purchased the data packages, which are seen as a ticket to trading in the Soviet Union.

The conference was sponsored by Jebco and the Ministry. Mr Ian Edwards, Jebco general manager, said the meeting had cleared up several issues which had been of concern to the oil industry.

Although Jebco and the Ministry of Geology had said that oil developments could proceed without involvement by the Ministry of Oil and Gas, this appeared to have been confirmed for the first time by the Ministry of Oil and Gas itself, which has had exclusive control over oil production. The Ministry of Geology has had responsibility only for oil exploration.



An official from the Ministry's Research Institute for Organisation, Management and Economics confirmed that the Ministry need not become involved.

Participants at the meeting said this was an encouraging sign. However, oil companies are still seeking clear confirmation from the ministry, and said they would be unlikely to sign an agreement unless the Oil and Gas Ministry approved it. This was because this ministry controlled the Soviet oil infrastructure which joint ventures may have to tap into.

Likewise, oil companies were interested in the structure of agreements which were discussed in model form.

"It is encouraging to see that they are thinking in the right direction," said one participant. He added however that oil companies were proceeding cautiously: "There is no advantage in being the first across the line, because the first guy across the line will just just find where the minefields are."

The Soviet Union has some of the most prospective oil basins in the world. Jebco has just reached agreement to market geologic data for the entire Western Siberian basin, which currently produces over 7m barrels of oil a day.

Oman spends £300m to develop onshore field

By Victor Mallet

PETROLEUM Development Oman (PDO), the Omani state-controlled hydrocarbons company, announced yesterday that it was proceeding with a $500m (£304m) project to develop the remote onshore Lekhwair field in northern Oman.

The main design and construction contract, the largest on offer in Oman for many years, is expected to be awarded to one of four leading international engineering groups by the middle of this year, according to a PDO statement carried by the Omani news agency.

Lekhwair's production should increase to more than 100,000 barrels a day by 1994, from 24,000 b/d at present. The development requires drilling 126 new production wells and 47 water injection wells between 1991 and 1995.

PDO said the development would produce some 4m cubic metres a day of gas; part of the gas will be used to help lift Lekhwair's oil and the remainder will be sent by pipeline for gas injection at Fahud and as feedstock for the Yibal Government gas plant.

Oman's proven oil reserves stand at 4.3bn barrels. Production is expected to rise to 700,000 b/d by the year's end.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,740-1,790 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 3.90-4.20 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 4.00-4.20 (4.10-4.30).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 8.10-8.30 (8.00-8.35).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 215-230 (220-235).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.15-3.20 (3.20-3.2).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 5.50-6.00 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 40-60 (39-57).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 4.10-4.30 (same).

URANIUM: Nuexco exchange value, $ per lb, UO, 9.00 (same).

Rain lifts Turkey's crop hopes

By Jim Bodgener in Ankara

AMPLE APRIL rains have lifted output prospects for Turkish agriculture, according to western experts in Ankara. The important wheat crop is now expected to total around 13m tonnes, compared with an expected 12m – 12.5m tonnes because of a second dry winter in a row.

If these rains continue, the wheat crop could reach normal output of around 14m tonnes. Last year's crop was only 11.5m tonnes, after an extensive drought reaching back into the autumn of 1988, and it necessitated expensive grain imports when a year previously Turkey was a net exporter.

Overall, agricultural production decreased by 10.8 per cent; drought influenced all agricultural products.

As a result, exports decreased by 13 per cent, and imports increased by 101.2 per cent.

Rainfall in the first six and a half months of 1989/90 agricultural year, starting in September, has been better than in 1989 with the exception of a couple of centres.

In the Mediterranean region it was below normal levels, but here the land is far more irrigated.

LME copper rate rises in options-related squeeze

By Kenneth Gooding, Mining Correspondent

THE LONDON Metal Exchange price of copper for immediate delivery jumped by £221.5 a tonne or 14 per cent to close at £1,757.50 yesterday as traders were caught up in an options-related squeeze.

Analysts suggested that news about strikes in Peru and an unexpected rise in the LME's copper stocks gave traders who had options to sell copper today at $2,800 a tonne, roughly equivalent to £1,750, the incentive to push up the price to that level.

In the scramble, the premium for cash metal compared with copper for delivery in three months (the so-called backwardation) widened from £68.50 on Monday to £196 a tonne.

One trader commented ruefully: "It is best to have your books all square and be out of this market at the moment."

Sentiment in the copper market, which was bearish at the end of last week, was jolted yesterday by the revelation that LME warehouse stocks had fallen by 7,525 tonnes to 55,150 tonnes.

LME inventories have fallen by half since the begining of the year.

Ironically, the LME yesterday started an experiment which involves it reporting stock levels twice a week – on Tuesdays and Fridays – in the hope that more-frequent reporting will reduce price volatility.

There was also news yesterday that employees at Southern Peru Copper Corporation, who have been on strike for seven weeks, rejected the company's offer of a bonus equivalent to $360 per person to end the dispute immediately.

"Wages are the issue and we will not accept temporary bonuses in place of wage increases," Mr Ruben Zevallos, the deputy general secretary of the Toquepala mineworkers union, told Reuter.

Mr Robin Bhar, analyst with the W I Carr financial services group, said: "Nothing has changed fundamentally. The copper market is as tight as ever. There is very little metal around in spite of the big cash premiums being paid."

Analysts said that the market would probably quieten down after the May options matured at 11 o'clock this morning. Mr Bhar added: "The copper price trend is still up and it would be very foolhardy to sell short in this market."

LME WAREHOUSE STOCKS
(Change since last Thursday)
tonnes

Aluminium high grade	+6,475	to 139,500
Copper	−7,525	to 55,150
Lead	−750	to 32,625
Nickel	+456	to 7,488
Zinc	+2,280	to 45,600
Tin	−80	to 12,465

WORLD COMMODITIES PRICES

MARKET REPORT

ZINC prices on the LME closed at the highest levels for 6½ months yesterday. Traders said the move was a continuation of the market's recent rise on bullish charts, fears of a squeeze on LME June supplies and forthcoming labour talks at Cominco's Trail lead/zinc smelter. Prices were further underpinned by news that US producers had raised their prices by 4 cents to 87 and 87.50 cents a lb after Monday's US Mint tender. The aluminium market lacked sufficient backing from the physical sector to maintain last week's rise, traders said. The strength of copper and zinc helped to hold it steady – otherwise three-month metal would probably have tested support at $1,500 a tonne. Gold was steady on the London bullion market in slow trading because of May Day holidays, which kept many other markets quiet. "Anyone who wanted to move the market ... could have done so, but there is little liquidity," one dealer said. The market could rebound to $375 a troy ounce by the end of the week if Swiss and Japanese buying resumes tomorrow, traders said, citing support at $368. Platinum prices were ahead, but the market remains nervous after last week's slump.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$14.82-4.95x	+.185
Brent Blend	$17.30-7.35x	+.160
W.T.I. (1 pm est)	$18.80-8.82x	+.350
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$216-218	
Gas Oil	$162-163	+1
Heavy Fuel Oil	$84-85	+1
Naphtha	$156-160	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$368.25	+1.00
Silver (per troy oz)♣	497c	+6.00
Platinum (per troy oz)	$476.00	+7.25
Palladium (per troy oz)	$116.50	+1.50
Aluminium (free market)	$1505	+6.00
Copper (US Producer)	123.0c	-3.00
Lead (US Producer)	45c	
Nickel (free market)	425c	+6.00
Tin (Kuala Lumpur market)	16.98r	
Tin (New York)	300c	+1.00
Zinc (US Prime Western)	83.50c	
Cattle (live weight)†	109.53p	-1.24*
Sheep (dead weight)†	226.56p	+3.86*
Pigs (live weight)†	95.80p	-1.43*
London daily sugar (raw)	$379.8t	-2.80
London daily sugar (white)	$461.0t	-1.00
Tate and Lyle export price	£346.00	-2.50
Barley (English feed)	£108.5	
Maize (US No. 3 yellow)	£140t	
Wheat (US Dark Northern)	£118.25y	
Rubber (Jun)♥	57.25p	
Rubber (Jul)♥	57.75p	
Rubber (KL RSS No 1 May)	229.5m	
Coconut oil (Philippines)§	$360.0v	
Palm Oil (Malaysian)§	$265y	
Copra (Philippines)§	$225y	+5.00
Soyabeans (US)	£172u	-3.00
Cotton "A" index	83.80c	-0.30
Wooltops (64s Super)	562p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Jun. t-May/Jun. u-Apr/Aug. v-May/Jul. w-Apr/May. z-Jun/Jul y-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	358.00	359.40	363.80 353.60
Oct	354.00	355.00	359.40 349.00
Dec	340.00	340.00	
Mar	329.00	329.60	330.00 326.00
May	328.00	328.00	328.00 327.60
Aug	328.00	328.00	328.00 326.00
White	**Close**	**Previous**	**High/Low**
Aug	454.0	454.0	458.0 450.0
Oct	416.0	416.0	419.0 410.5
Dec	406.0	407.0	406.0
Mar	451.0	402.5	404.0 399.0
May	402.5	399.8	402.5 399.0

Turnover: Raw 4285 (4911)lots of 50 tonnes. White 1003 (426)
Paris- White (FFr per tonne): Aug 2505, Oct 2350, Dec 2300, Mar 2285, May 2285

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Jun	17.33	17.23	17.36 17.07
Jul	17.77	17.63	17.77 17.50
Aug	18.02	17.82	18.03 17.77
IPE Index	17.22	17.09	17.22

Turnover: 7551 (6724)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
May	159.00	158.00	159.00 156.75
Jun	155.75	153.75	155.75 153.00
Jul	155.00	153.25	155.00 152.75
Aug	154.75	155.25	155.25 154.75
Sep	156.75	157.25	157.25 156.75
Oct	159.00	159.50	159.50 159.00
Dec	163.25	162.75	163.50 161.75
Jan	162.75	161.50	163.00 162.50

Turnover 1849 (3695)lots of 100 tonnes

JUTE
May/June c and f Dundee BTC $565, BWC $590, BTD $540, BWD $550; c and f Antwerp BTC $550, BWC $550, BTD $530, BWD $520.
COTTON
Liverpool- Spot and shipment sales in Liverpool for the week ended April 27, came to 120 tonnes against 200 tonnes in the previous week. Trading was of a fairly low quantity with various countries involved in sales including Middle Eastern, South American and African varieties.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
May	865	837	855 845
Jul	875	856	876 866
Sep	890	873	890 883
Dec	908	887	908 900
Mar	924	905	924 916
May	939	919	939 932
Jul	953	934	953 946

Turnover: 4030 (5181) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Apr 30 1028.91 (1017.89) 10 day average for May 1 1041.55 (1046.72)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
May	654	655	660 646
Jul	669	668	677 663
Sep	680	678	687 674
Nov	693	691	698 687
Jan	704	701	707 703
Mar	720	716	721 717
May	735	732	734

turnover: 3694 (5462) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Apr 30: Comp. daily 73.27 (73.53). 15 day average 75.39 (75.55)

POTATOES – BFE £/tonne

	Close	Previous	High/Low
May	235.0	228.9	235.0 216.0
Nov	127.5	130.0	130.0 126.0
Apr	188.0	194.8	194.0 184.5

Turnover 398 (355) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Aug	130.50	131.00	130.50
Oct	135.50	135.00	135.50 133.50

Turnover 35 (15) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
May	12.75	1285	13.30 12.75
Jul	11.05	1112	11.41 11.05
Oct	12.00	1210	12.35 12.00
Jan	12.43	1238	12.58 12.35
Apr	12.48	1250	12.56
BFI	13.55	1361	

Turnover 323 (158)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
May	116.50	118.70	117.15 116.50
Jun	118.50	118.70	119.00 118.50
Sep	113.15	112.80	113.70 112.80
Nov	116.25	115.80	116.70 115.75
Jan	119.60	119.30	120.00 119.00
Mar	123.00	123.00	123.10 123.00
May	126.00	125.75	126.50 126.00
Barley	**Close**	**Previous**	**High/Low**
May	103.50	104.00	104.00 103.50
Sep	111.60	110.80	111.75 111.40
Nov	115.60	115.15	115.60 115.50
May	122.50	121.90	122.90 122.00

Turnover: Wheat 319 (259), Barley 540 (73).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	127.5	127.5	127.5 127.0
Aug	121.0	121.0	121.0
Oct	122.0	122.0	121.0

Turnover 75 (130) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 9,950 tonne
Cash	1514-6	1505-7	1502	1503-4		
3 months	1522-3	1524-6	1530/1520	1522-3	1525-30	44,484 lots
Copper, Grade A (£ per tonne)						Ring turnover 75,475 tonne
Cash	1755-60	1578-80	1770/1650	1652-5		
3 months	1659-60	1510-11	1662/1529	1629-30	1549-50	78,346 lots
Lead (£ per tonne)						Ring turnover 5,000 tonne
Cash	492-4	490-1	492	491-2		
3 months	492-5	490-1	494/490	491-1.5	492-5	10,244 lots
Nickel ($ per tonne)						Ring turnover 1,494 tonne
Cash	9550-650	9250-350	9600/9250	9250-300		
3 months	8850-450	8800-50	8900/8750	8800-25	8850-900	7,459 lots
Tin ($ per tonne)						Ring turnover 290 tonne
Cash	6440-75	6430-50	6450	6440-60		
3 months	6550-60	6540-60	6540/6550	6535-45	6550-60	6,290 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 11,550 tonne
Cash	1770-5	1750-3	1770/1750	1767-70		
3 months	1690-700	1675-7	1700/1685	1680-1	1698-700	17,944 lots

LME Closing £/$ rate: SPOT: 1.639 | 3 months: 1.6126 | 6 months: 1.5937 | 9 months: 1.5806

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	368-368½	224½-225
Opening	368¾-369¼	225-225½
Morning fix	368.95	225.107
Afternoon fix	369.50	225.676
Day's high	370¼-370¾	
Day's low	368-368½	
Coins	**$ price**	**£ equivalent**
Mapleleaf	379-384	231-234
Britannia	379-384	231-234
US Eagle	379-384	231-234
Angel	379-384	231-234
Krugerrand	368-371	224½-226
New Sov.	86½-87½	52¾-53¼
Old Sov.	86½-87½	52¾-53¼
Noble Plat	481.70-489.35	294.10-298.75
Silver fix	**p/fine oz**	**US cts equiv**
Spot	302.30	495.25
3 months	313.60	506.00
6 months	326.35	517.90
12 months	350.05	540.95

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	July	Sep	July	Sep
1450	97	119	16	32
1550	41	64	59	74
1650	12	30	129	136
Copper (Grade A)	**Calls**		**Puts**	
2400	186	157	44	92
2500	125	109	81	140
2600	79	73	132	201
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
600	76	25	7	95
650	41	64	22	34
700	18	40	50	60
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
850	52	78	27	39
900	28	52	53	63
950	14	36	89	97
Brent Crude	**Jun**	**Jul**	**Jun**	**Jul**
1700	32		21	
1750	12	60		60
1800				

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	370.0	368.4	368.0	368.0
Jun	372.7	371.4	374.2	370.4
Jul	375.1	373.8	374.4	374.4
Aug	377.6	376.3	379.0	375.5
Oct	382.8	381.4	383.0	381.7
Dec	387.7	386.3	389.0	385.9
Feb	392.9	391.4	393.2	392.2
Apr	397.8	396.3	397.0	396.5
Jun	403.1	401.6	403.5	403.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	479.7	474.1	485.5	476.0
Oct	486.2	480.6	489.0	483.0
Jan	493.0	487.1	495.0	490.3
Apr	499.2	493.3	497.0	497.0
Jul	505.4	499.5	0	0
Jul	498.4	512.0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	501.3	493.2	503.0	494.0
Jun	505.5	497.4	504.5	504.5
Jul	509.5	501.5	513.0	502.0
Sep	518.3	510.2	521.5	511.0
Dec	530.4	522.2	533.0	523.0
Jan	534.3	526.0	529.0	529.0
Mar	542.3	534.0	545.0	537.0
May	550.7	542.3	544.0	542.0
Jul	559.2	550.8	0	0
Sep	568.2	559.8	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
May 1	Apr 30	mnth ago	yr ago
1935.8	1926.9	1916.5	2011.2

DOW JONES (Base: Dec. 31 1974 = 100)	Apr 30	Apr 29	mnth ago	yr ago
Spot	133.73	135.49	132.35	136.74
Futures	132.92	133.36	132.42	137.06

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	122.10	116.90	123.40	118.70
Jun	117.30	112.90	118.00	114.00
Jul	113.30	108.90	114.80	110.40
Aug	110.60	107.30	110.60	110.60
Sep	109.50	105.75	110.50	108.50
Oct	108.45	104.80	0	0
Nov	107.35	103.70	0	0
Dec	106.10	102.70	107.00	104.00
Jan	105.00	101.70	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jun	18.74	18.54	18.83	18.39
Jul	19.45	19.27	19.54	19.17
Aug	19.85	19.67	19.91	19.58
Oct	20.32	20.16	20.37	20.10
Nov	20.34	20.20	20.34	20.10
Dec	20.30	20.21	20.37	20.12
Jan	20.30	20.20	20.35	20.12
Feb	20.20	20.19	20.21	20.12

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jul	5200	5135	5220	5095
Aug	5260	5207	5290	5180
Sep	5420	5354	5440	5330
Oct	5515	5439	5515	5415
Dec	5690	5609	5690	5600
Jan	5700	5639	5700	5640
Feb	5624	5564	5624	5575
Mar	5430	5409	5430	5430

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	1300	1276	1305	1290
Jul	1324	1297	1327	1299
Sep	1340	1313	1343	1319
Dec	1355	1334	1366	1338
Mar	1373	1348	0	0
May	1385	1362	0	0
Jul	1401	1381	1401	1386
Sep	1410	0	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	92.00	92.25	93.25	92.00
Jul	92.82	93.73	94.60	92.50
Sep	94.73	95.64	96.70	94.60
Dec	96.96	97.83	98.50	96.80
Mar	99.13	100.25	100.50	100.40
May	101.00	101.18	101.00	101.00
Jul	103.00	104.78	103.00	103.00
Sep	105.13	105.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	15.96	16.02	16.27	15.72
Oct	15.86	15.92	16.13	15.62
Mar	15.02	15.03	15.22	14.78
Jul	14.75	14.65	14.80	14.65
Oct	15.66	15.92	16.13	15.62

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	73.50	73.73	74.10	73.20
Jul	74.36	74.36	74.70	73.74
Oct	69.65	69.30	69.90	69.05
Dec	67.39	66.97	67.60	66.75
Jul	68.50	68.18	68.50	68.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	194.25	193.15	194.25	191.20
Jul	192.05	191.00	192.60	188.40
Sep	187.05	186.05	187.50	184.00
Nov	180.25	179.70	180.25	178.00
Jan	175.50	174.10	175.00	173.00
Mar	175.40	174.00	173.00	173.00
May	174.75	173.50	0	0
Jul	174.75	173.50	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	627/4	632/4	655/0	624/4
Jul	643/4	648/4	671/4	640/4
Aug	649/2	653/6	677/0	646/0
Sep	648/4	655/2	676/0	646/0
Nov	655/0	660/0	682/0	652/0
Jan	665/6	670/4	691/0	662/0
Mar	675/2	680/0	701/0	675/0
May	684/4	689/0	705/0	681/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	22.87	23.45	23.62	22.60
Jul	22.98	23.62	24.05	22.75
Aug	22.95	23.59	24.00	22.80
Sep	22.85	23.47	23.82	22.65
Oct	22.65	23.20	23.55	22.55
Dec	22.52	23.06	23.45	22.35
Jan	22.37	22.97	23.35	22.30
Mar	22.40	22.90	23.30	22.35

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	185.5	184.1	192.0	182.5
Jul	190.1	188.9	196.7	187.5
Aug	192.0	190.7	198.0	189.5
Sep	194.0	193.0	200.0	191.5
Oct	195.2	194.2	200.0	193.0
Dec	198.9	197.7	205.5	196.5
Jan	200.2	199.2	204.0	198.5
Mar	204.0	202.7	212.0	201.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	283/6	281/2	289/2	279/6
Jul	284/6	283/0	291/2	281/0
Sep	276/2	276/4	283/4	274/4
Dec	270/2	271/2	278/0	269/0
Mar	275/0	276/6	282/2	274/0
May	277/2	279/2	285/2	277/0
Jul	280/0	281/6	285/0	280/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	367/4	374/2	376/0	367/4
Jul	341/6	345/6	354/0	341/0
Sep	348/0	351/6	360/0	347/4
Dec	360/6	364/6	372/0	360/0
Mar	366/4	370/2	376/0	366/4
Mar	370/0	370/0	370/4	369/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	73.22	72.97	73.80	73.07
Aug	71.92	71.65	72.55	71.67
Oct	73.85	74.05	74.45	73.60
Dec	74.80	74.92	74.97	74.62
Feb	74.67	74.97	75.12	74.65
Apr	75.37	75.65	75.90	75.25
Jun	74.35	0	75.00	74.35

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	63.85	63.12	64.55	63.45
Jul	62.80	62.12	63.62	62.25
Aug	60.65	59.87	61.37	59.90
Oct	53.22	52.97	54.10	53.05
Dec	52.57	52.05	53.10	52.15
Feb	51.07	50.90	51.47	50.95
Apr	48.30	48.02	48.80	48.15
Jun	51.10	51.00	51.65	51.10

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	68.65	66.65	68.65	67.35
Jul	68.85	66.85	68.85	67.10
Aug	64.75	64.75	66.75	65.10
Feb	59.67	59.07	60.90	59.10
Mar	59.50	58.10	60.70	58.85
May	59.70	58.90	60.00	59.60

LONDON STOCK EXCHANGE

Cautious recovery in blue chip stocks

A SOUND performance from the futures market yesterday helped UK equities continue their favourable response to the profit figures from ICI announced in the previous session. Turnover was unimpressive, however, and the market ended well below the day's best after Wall Street made a slow start to the new trading session.

An early premium of 30 points on the FT-SE June futures contract provided the impetus for the underlying Footsie stocks, and the gain on the index itself was quickly extended to more than 22 points, taking it to 2,126 and strengthening hopes that 2,100 is proving a defensive area. Also helping was the firmer tone of sterling and UK bonds.

Account Dealing Dates		
*First Dealings:		
Apr 9	Apr 30	May 14
Option Declarations:		
Apr 26	May 10	May 24
Last Dealings:		
Apr 27	May 11	May 25
Account Day:		
May 8	May 21	Jun 4

*New time dealings may take place from 9.00 am two business days earlier

The chairman's statement yesterday at the annual meeting of ICI was well received by equity analysts, who regard the company as a sound indicator of the fortunes of UK plc, following its trading diversifications over the past decade.

The favourable response to ICI's profit figures on Monday has encouraged hopes that the equity market may now, at last, be approaching the low of the present trading cycle.

While still very nervous ahead of the outcome of tomorrow's local elections in the UK, as well as of the inflation data due at the end of next week, the London market maintained its confidence yesterday until Wall Street showed signs of difficulty in holding on to its early gain.

UK stocks were losing impetus by the end of the day and the final reading showed the FT-SE Index at 2,117.9, a net gain of 14.5 points. Seaq volume of 370.8m shares compared with 326.3m on Monday. Traders described business as generally poor and featureless, although some said there were signs of cautious buying from investment institutions.

Equity strategists took a cautious view of the day's developments. The effective withdrawal from London marketmaking of Prudential-Bache, the US based securities firm, was not entirely unexpected but again emphasised the strains inside the UK stock market.

British Aerospace was unsettled briefly by the news that DAF, the Dutch truckmaker in which the UK aerospace group has a stake, had revised its forecast to predict a loss for the first half of this year. Signs of renewed buying of Rolls-Royce shares set dealers searching again for the identity of last week's mystery buyer when some 61m shares were traded.

The market's reliance on the FT-SE futures contract, which maintained its premium throughout the session, left traders doubtful of the outlook for today's trading. Much will depend on the overnight performance on Wall Street and also of the implications of the curtailed Golden Week trading on the Tokyo stock market.

Initiative regained by Glaxo

THE UPWARD momentum of last month was regained by Glaxo after further details were announced of the potential Aids treatment drug developed by IAF BioChem, a Canadian company. Glaxo would market the drug.

Mr Ian White at Kleinwort Benson said that the drug had a realistic chance of being effective and that it might be on the market by 1993 or even earlier. He also suggested that sentiment in the stock had been helped, among other things, by the prospect of a presentation by IAF on May 11 and a big R & D meeting to be held by Glaxo on May 30. Both are in London.

However, Mr Ian Moore at UBS Phillips & Drew took a more sceptical line. He said that the Canadian drug would not be on the market before 1994 and that he was not prepared to estimate potential earnings at such an early stage in testing. Studies with human subjects start in the autumn.

Mr Moore suggested instead that Glaxo's rise yesterday had been at least partly the result of ICI's better-than-expected first-quarter figures the previous day. They showed the company's pharmaceutical operations in a particularly good light.

Glaxo climbed to 764p at one point before settling at 762p, a rise of 16 on the day. Volume was an unexceptional 1.9m shares.

Ultramar volatile

Ultramar dipped sharply in early trade as one securities house interpreted the abandonment by Tosco, a US company, of its efforts to sell a California refinery as harmful to the value of Ultramar's Wilmington refinery in the same US state.

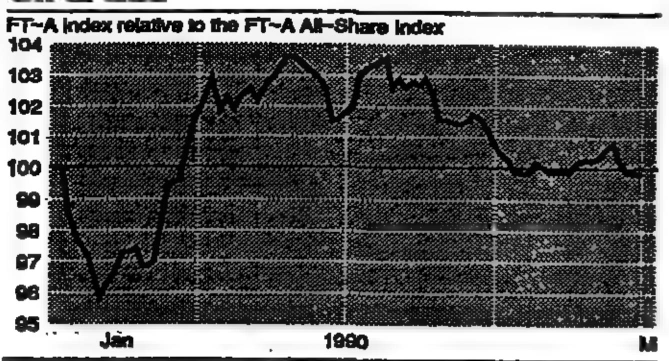
Analysts elsewhere were quick to point out the differences between the two operations and advised their clients to buy Ultramar shares. They said that the newer Wilmington plant was less likely to incur costs to cope with possible environmental laws, and that the Tosco refinery's obligations to take Alaskan crude would put off potential middle-eastern buyers.

Smith New Court, a strong supporter of Ultramar shares, said that "comparisons between the Tosco refinery and Ultramar's Wilmington refinery are simplistic."

Ultramar recovered from a *low of 314p to close near the* day's peak at 224p, a net rise of 4. Turnover was a little above average at 2.2m shares.

Oil & Gas

FT~A index relative to the FT~A All-Share index



Sentiment was also helped by the announcement in yesterday's press that Union Texas, of the US, was putting itself up for sale. Union and Ultramar each have 38 per cent each of an oil and gas operation in Indonesia. The remainder is owned by Huffington, of the US, which is itself in the process of being sold to a Taiwanese oil company. One analyst added that Ultramar's early weakness might have been exacerbated by fears that the company might have to buy out the Union stake in the Indonesian operation.

News that Fidelity Management Research (FMR), a US mutual institutional investor, had a 3.6 per cent stake in SmithKline Beecham initially gave the shares a fillip. But analysts were quick to point out that FMR had held stock in both Smithkline Beckman and Beecham before the two merged last summer. They argued that FMR was not a stakebuilder in the company. The "A" shares closed 5 firmer at 467p.

The mystery buyers of Rolls-Royce were back in action. Once again most of the day's business was done on the anonymous inter-dealer broker screens. Turnover swelled to 10m shares as the price touched 201p. Selling by UK institutions was, however, noted at levels above 200p and the share price eased back to close 2 up at 200p.

British Aerospace was the other feature among engineering and aerospace stocks. The shares fell 15 to 509p in mid-afternoon on the news of a profits warning from DAF, the Dutch group in which it holds a 16 per cent stake. DAF said the results for March and the first weeks of April were "substantially" below expectations, and thus an improvement in results was unlikely before the second half of 1990.

Most of the fall was attributed to marking down by marketmakers who thought BAe's stake in DAF was still around the 40 per cent level, at which it stood before a reduction last year. Bargain hunters later helped the shares recover some of the lost ground and they eventually closed 6 down at 518p.

An analyst said: "It was well known that BAe was keen to sell its remaining stake in Daf, but that now looks unlikely. First-half results will look dull unless the company realises another sale."

The banking sector, badly hit recently by downgradings by brokerage firms, and by the threats to their loan portfolios highlighted last week by the chairman of Midland Bank, rallied with the market.

There were several exceptions to the trend, however, notably Allied Irish Banks, which shed a further 6 to 229p on criticism of the I£162m rights issue being made to help fund the $217m bid for Baltimore Bancorp, of the US. The cloud caused by the rights move overhung Bank of Ireland, which also closed at 229p, recording a fresh fall of 9.

The UK high street banks looked better than for some days, helped by the futures-led buying, which boosted all the Footsie stocks. At 281p, Midland recouped a few pence of their recent substantial setback, while Barclays (510p), Lloyds (255p), Natwest (309p) and TSB (126p) were also firmer.

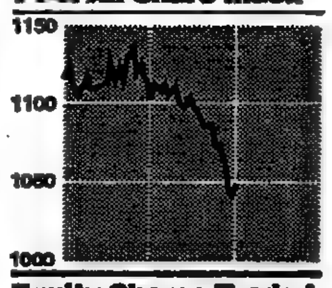
Also moving higher were Royal Bank of Scotland (159p), with the half-term figures due today, and Standard Chartered (492p). There was further support for First National Finance, 10 ahead at 201p.

An assertion by Mr Angus Phaure, the building guru at County NatWest, that "heavy building materials companies should be sold because they could generate the same disappointment this summer as housing-related shares caused last summer," thwarted the recovery in the construction sector.

A leading trader described volume as the lowest for a long time, with price gains rarely exceeding a few pence. British Dredging was an exception, rising 6 to 131p on the determined efforts of one marketmaker to obtain stock via the inter-dealer broker system.

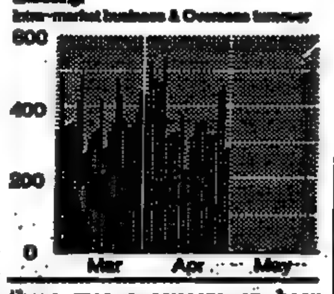
British Telecom put in a good performance, rising 7 at one point before closing a net 4 better at 249p. Analysts said there was a squeeze on bear positions which were, in turn, the result of privatised companies' recent weakness following the poor showing of the Conservative Party in opinion polls. Trading volume was a relatively slim 2.9m shares.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



The annual meeting held by STC did not produce the profit warning that some analysts had feared. The company said that profits met target for the first quarter, that the year would be satisfactory and that the order book at the end of March exceeded expectations. The shares rose 13 in early trading and closed a net 9 firmer at 243p.

A statement on last year's results from Ferranti trimmed early gains. At an extraordinary general meeting Mr Eugene Anderson, the chairman and chief executive, said: "Write-offs of assets of a trading and extraordinary type will be very substantial." Ferranti shed 1½ to 42½p, a penny above the day's low.

Northamber lost 20 to 94p as the company's year-end passed. Analysts are forecasting profits to be £4m to £5m, compared with last time's figure of more than £6m.

Futures-related considerations imparted firmness to Carlton Communications, 10 up at 487p, while Brent Walker rebounded a similar amount to 259p ahead of the preliminary statement, now expected sometime next week. The latter launched a new brand of light lager on Monday.

Midsummer Leisure went higher, closing 4 dearer at 113p, after bidder European Leisure extended its offer to May 11 and declared the date as the final deadline. European has received acceptances so far totalling 34.33 per cent.

Shares in Fairline Boats, the builder of seagoing motor cruisers which announced a "serious approach" in January, responded to hopes of an early development. The Newington family and trusts own 55 per cent of the equity. Sterling weakness against the D-Mark tends to benefit the company, which usually posts its interim results in May. The shares rose 50 to 790p.

Another leisure stock to feature was Cityvision, which finished 6 stronger at 57p.

ICI continued the previous day's rise that followed the release of better than forecast first-quarter figures. The shares added 6 at 1088p as the company held its annual meeting yesterday. The old chestnut about ICI selling its 25 per cent stake in Enterprise Oil once again did the rounds.

Ellis and Everard retreated quickly after announcing a rights issue to fund US expansion and closed 16 down at 180p. The company announced a one-for-three rights issue at 152p to raise £29m to acquire HVC and Kramer, two US chemical distribution businesses.

Influences related to the futures market, where the "Footsie" premium widened unexpectedly, served to steady a still sensitive property sector.

All leading stocks achieved modest but welcome rallies, with MEPC ending 6 higher at 486p and Land Securities closing at 463p. Hammerson "A", another index constituent, rose 8 to 720p, while British Land rallied 4 to 338p. Clayform rallied 9 to 145p, but Great Portland, after opening slightly higher, ran into selling which finally brought the shares down 6 to 267p.

Of the smaller-priced issues, BDA revealed an annual loss and passed the dividend but the shares surged higher to 22p for a rise of 8. The company anticipated that the current year would be one of consolidation and controlled growth; it is satisfied that it is adequately financed to achieve these objectives.

Merlin International was less fortunate, plummeting 5 to 12p following the news, released after Monday's close, of a heavier mid-term loss.

Parrish, the quoted stockbroker, tumbled to close at the all-time low point of 8, down 14, after the recapitalisation proposals. These include funding of £3.65m by the issue of new shares, a share placing and open offer to shareholders.

Enterprise Oil staged one of its regular sharp movements with a rise of 15 to 570p. There was widespread talk of switching from Lasmo, which went ex-scrip yesterday. On a recalculated basis, Lasmo slipped 12 to 361p. Volume in both stocks was slim so any switching was limited, said analysts.

UK selling of Saatchi & Saatchi neutralised early strength in the stock, which had resulted from US buying overnight. The shares fell from their high of 98p to end only a shade up on the day at 94p.

■ Other market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 37.

FINANCIAL TIMES STOCK INDICES

	May 1	April 30	April 27	April 26	April 25	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	74.51	74.13	74.32	74.61	74.94	86.60	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	84.37	83.80	84.72	84.46	84.87	97.57	92.61 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1663.5	1653.6	1658.7	1678.1	1683.5	1736.3	1958.3 (3/1)	1653.6 (30/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	219.0	221.5	221.8	218.2	223.1	176.9	378.5 (6/2)	218.2 (28/4)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2117.9	2103.4	2108.6	2133.8	2143.1	2103.1	2463.7 (3/1)	2103.4 (30/4)	2463.7 (3/1/90)	986.9 (23/7/84)

	May 1	April 30	April 27	April 26	April 25	Year Ago
Ord. Div. Yield	5.44	5.48	5.47	5.41	5.39	4.46
Earning Yld % (full)	12.18	12.26	12.28	12.12	12.09	10.90
P/E Ratio(Net)(*)	9.93	9.87	9.88	9.98	10.02	11.09
SEAQ Bargains 4.45pm	18,815	21,821	20,033	21,449	21,036	25,423
Equity Turnover(£m)†	-	607.86	892.44	992.06	704.44	894.85
Equity Bargains†	-	21,694	25,556	21,449	20,347	30,980
Shares Traded (ml)†	-	282.0	450.1	444.2	323.9	429.7

Ordinary Share Index, Hourly changes — Day's High 1670.3 — Day's Low 1654.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1660.5	1665.0	1664.1	1668.4	1669.4	1669.7	1668.1	1668.0	1663.6

FT-SE, Hourly changes — Day's High 2128.0 — Day's Low 2111.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2111.8	2118.1	2117.1	2123.9	2124.9	2125.2	2123.9	2125.0	2118.7

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ● Nil 9.93

GILT EDGED ACTIVITY

Indices	April 30	April 27
Gilt Edged Bargains	85.7	77.4
5-Day average	74.6	69.7

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. ‡Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request. London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (13).
BRITISH FUNDS (2) STORES (1) ELECTRICALS (2) FOODS (1) INDUSTRIALS (1) Huntleigh Tech., LEISURE (1) PROPERTY (4).
NEW LOWS (353).
AMERICANS (3) CANADIANS (2) BANKS (6) BREWERS (3) BUILDINGS (16) CHEMICALS (4) STORES (7) ELECTRICALS (17) ENGINEERING (8) FOODS (10) HOTELS (2) INDUSTRIALS (33) ADT, Allied Part., BTR, BTR Nylex, BTS, Beckenham, Brammer, Brompton Hldgs., Charter Cons., Cooper (Alan), Cosalt, Crosta, Dean & Bowes, Erskine House 7¼pc Pf., Expamet Intl., Fenner, Forwell, Halma, Handley-Walker, Hawthorn Leslie, Hay (Norman), Hornby, Hunting, Do. 6¼pc Pf., IWP Intl., Johnson Matthey, Mccarthy, Nestor-BNA, Orlitame, Scott & Robertson 7¼pc Pf., Securicor "A", Stockdale, Wyndham, INSURANCE (7) LEISURE (8) MOTORS (4) NEWSPAPERS (1) PAPERS (3) PROPERTY (14) TEXTILES (5) TRANSPORT (4) TRUSTS (41) WATER (3) OILS (7) OVERSEAS TRADERS (2) MINES (24) THIRD MARKET (3).

APPOINTMENTS

Chairman of United Transport

■ Mr Richard Dewbarn has been appointed executive chairman of UNITED TRANSPORT EUROPE, succeeding Mr Gay Fenn-Smith who has retired.

■ Mr Alan Jones is to be managing director of Welsh Water Enterprises, a WELSH WATER subsidiary. He was managing director of the Welsh Venture Capital Fund.

■ Mr John G. Walker, Mr Alan Harle, and Mr John Harvey have been appointed to the board of SYSTEMS CONNECTIONS GROUP, which is merging with Formscan.

■ Mr David Medcalf has been appointed chief executive of GLASS GLOVER GROUP, Doncaster. He was deputy chief executive - finance and personnel.

■ UK PETROLEUM INDUSTRY ASSOCIATION has re-elected Mr D. Clayman (Esso) as chairman.

■ LAWSON MARDON GROUP has appointed Mr Alan W. Patmore as divisional financial director, flexible packaging division, Europe. Mr A.W. Welton has been appointed deputy managing director, sales and marketing, LMG Smith Brothers. Mr Welton was managing director, Coates Lorilleux.

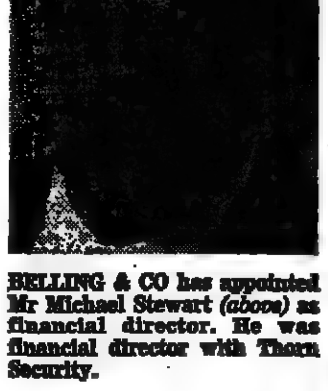
■ NATIONAL & PROVINCIAL BUILDING SOCIETY has appointed Mr Paul Williams as IT development manager financial and information services.

■ Mr F.W. Brooks, assistant general manager sales and marketing, and Mr J.D. Rutter, actuary, have been appointed to the board of WESLEYAN ASSURANCE SOCIETY, Birmingham.

■ Mr T.S. Hibbitt, vice chairman and chief executive of Sheppards Moneybrokers, a wholly-owned subsidiary of CATER ALAN HOLDINGS, has been appointed to the parent board.

■ Mr Clifford Perkins has been appointed group treasury and tax manager of THE RANK ORGANISATION. He was vice president and head of tax at J.P. Morgan. Ms Rosarii McCarthy has been promoted to treasurer from assistant group treasurer, succeeding Mr Stephen Smith, who becomes corporate finance executive.

■ MECO INTERNATIONAL, a company formed last year to acquire the mining equipment division from Dowty Group, has appointed Mr James Powell as finance director. He was finance director of International Laboratories.



BELLING & CO has appointed Mr Michael Stewart *(above)* as financial director. He was financial director with Thorn Security.

■ Mr Mike Galley has been appointed managing director of AMPHENOL, Whitstable. He was with BICC Cables.

■ THE CO-OPERATIVE WHOLESALE SOCIETY has appointed Mr Campbell Weir as general manager food marketing. He was general manager Co-op Brand, and now becomes responsible for buying and marketing all food products, including Co-op Brand. Mr Richard Mullock becomes general manager, food buying, reporting to Mr Weir. Mr Mullock takes over packaged grocery buying, as well as fresh food buying which he previously handled.

■ GARTON ENGINEERING has appointed Mr John Frederick Sedgley as finance director.

■ Mr John Towler has been appointed director and general manager of GRANADA BUSINESS SERVICES. He was sales and marketing manager.

■ Mr John Walmsley has been appointed director of personnel, gas business, at BRITISH GAS headquarters. He was assistant director, industrial relations.

Mr Granville Camsey *(above)* has been appointed executive director, operations and construction, at NATIONAL POWER. He was chief executive of National Power Thermal before the company's reorganisation.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

1990 High	1990 Low	Stock	Price £	+ or -	Yield (1)	Yield (2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INT. BANK AND O'SEAS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

1990 High	1990 Low	Stock	Price £	+ or -	Div %	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
303	219	ANZ SA1	219	.....	44c	1.4	9.1	7.8
196	172	Abbey National 10p	184	+5	5.7	4.3	4.1	7.5
282	229	Allied Irish Ord	229	−6	Q40%	3.3	4.3	11.8
£13½	£11½	Algemene Fl.10	£12½	−⅛	Q28%	2.1	7.1	6.6
85	73	Anglo Irish	77	.....	Q18.7%	2.7	3.7	10.5
81	68	Ansbacher (H.) 1p	68	.....	2.5	1.3	4.9	19.6
£70¾	£54½	Bancaire Cie Fr100	£67⅞	−⅝	Q12½%	−	2.1	−
£22½	£16¾	Banco Bilbao Viz	£18¼	.....	Q17.9%	2.0	3.9	12.7
£31	£24½	Banco de Santander	£28¼	.....	Q25%	2.4	4.0	10.5
286	227	Bank Ireland Ir£1	228	−10	Q12%	3.2	5.1	7.8
£19½	£18	Bank Leumi	£19½	.....	−	−	−	−
350	320	Bank Leumi (U.K.)	345	.....	13.5	−	5.2	−
125	104	Bank Scotland	105½	−½	4.55	3.6	5.8	6.4
100¼	83½	Do. 9¼pc Irrd Pf	84	−½	9¼%	−	14.7	−
54	44	Bank of Wales	44	.....	2.8	♦	8.5	♦
599	493	Barclays £1	509	+5	27.4	3.5	7.2	5.0
22	14	Benchmark 20p	15	+1	1.63	1.0	14.4	8.6
335	310	Brown Shipley £1	319	+1	10.5	−	4.4	−
455	373	Cater Allen £1	375	.....	23.5	−	8.4	−
179	144	Chancery	147	.....	8.0	2.8	7.3	6.5
£23¼	£19¾	Commerzbk DM10	£20	−⅛	Q18%	−	3.3	−
£13¼	842	Dai Ichi KBk Y50	852	+1	Q16%	8.8	0.3	32.6
£313½	£262¼	Deutsche Bk DM50	£271½	−½	Q28%	−	1.9	−
£20¾	£19	Espirito Santo	£20¼	−⅛	Q75c	3.3	2.2	13.8
253	183	First Nat. Fin. 10p	203	+12	13.0	2.4	8.5	6.3
121	96	FNFC 6.3pc Cv. Pf	100	+4	6.3%	−	8.4	−
£15¼	953	Fuji Bank Y50	985	.....	Q15.6%	4.2	0.3	−
325	262	Gerrard & National	264	.....	18.5	−	9.3	−

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS — Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS — Contd

ENGINEERING

ENGINEERING — Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) — Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£14¼	975	DAF N.V. Fl5	£10¾	......	Q50%	2.0	7.9	6.2
149	120	General Mtrs Units	139	......	[illegible]	–	5.4	–
41	26	March Group 5p	26xr	......	B–	–	–	–
£222½	£202½	Volkswagen DM50	£202½	–½	Q20%	2.8	1.8	21.5
£44⅝	£32⅝	Volvo Kr25	£32⅝	–⅝	Q62%	♦	4.8	♦

Commercial Vehicles

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
253	183	ERF (Hldgs.)	186	......	15.0	3.7	10.8	3.5
180	135	Plaxton Grp	135	......	8.5	♦	8.4	♦

Components

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
458	420	Abbey Panels	453	......	3.5	10.8	1.0	12.0
225	203	Airflow Streamlines	215	+2	6.0	4.2	3.7	8.6
190	150	Bostrom 5p	150	......	5.75	3.1	5.1	6.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Garages and Distributors

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PROPERTY

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PROPERTY—Contd

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
97	80	Do. 7¼pc Pf	80	......	7.25	–	12.1	–
162	129	Egerton Trust	140	......	10.0	2.6	9.5	5.4
175	130	[illegible] Prop. Grp. 10p	138	......	12.2	8.3	2.4	5.1
105	65	Eng & O'seas Prps 10p	70	......	4.5	5.2	8.6	3.0
205	165	Erostin Group	165	......	†6.0	3.8	4.8	7.2
350	310	Ests. & Agency	318	......	15.0	1.6	2.2	39.3
175	148	Ests. & Gen. 20p	148	......	3.75	♦	3.4	♦
98	80	Do. 6pc Cv. Pf.	80	......	6.0	–	10.0	–
220	193	Evans of Leeds	206	......	†6.15	2.3	4.0	14.8
90	55	Ewart	55	......	‡d1.88	2.3	[illegible]	12.1
71	41	Five Oaks Inv 5p	41	......	1.6	5.4	5.3	4.0
165	118	Fletcher King 10p	120	+2	10.6	2.0	11.8	5.6
132	79	F.S.M. Props. 10p	91	–5	†5.0	6.3	7.3	2.7
460	343	Frogmore Est. 50p	343	–1	†11.0	4.1	4.3	7.3
320	203	Grainger Trust	205	......	5.25	4.7	3.4	8.3
309	250	Gt. Portland 50p	261	–6	‡9.0	1.2	4.6	23.6
£134	£110	Do 9½pc Cv Ln 2002	£116	+1	Q9½%	–	8.0	–
145	125	Green Property Ir25p	139	......	Q20.6%	1.7	3.6	22.5
481	376	Greycoat 10p	398	–2	†4.5	4.1	1.5	17.0
54	41	Hampton Countryside 5p	44	–1	–	–	–	–
859	675	Hammerson "A"	720xd	+8	19.5	‡1.3	3.6	25.8
113	55	Hanover Druce 10p	83	–3	5.0	0.9	8.0	17.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SHOES AND LEATHER

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOUTH AFRICANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TEXTILES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOBACCOS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRANSPORT

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Finance, Land, etc

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WATER

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OIL AND GAS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OIL AND GAS—Contd

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVERSEAS TRADERS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Teas

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MINES

Central Rand

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Eastern Rand

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Far West Rand

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

O.F.S.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Diamond and Platinum

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Central African

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Finance

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Australians

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Tins

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MINES—Contd

Miscellaneous

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THIRD MARKET

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]	[illegible]	[illegible]	[illegible]

IRISH

[illegible]	[illegible]	[illegible]	[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials

[illegible]	[illegible]	[illegible]	[illegible]

Property

[illegible]	[illegible]

Oils

[illegible]	[illegible]

Mines

[illegible]	[illegible]

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set, unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ∇ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

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Thornton Unit Managers Ltd (1000)F
33 Cavendish Sq., London W1M 7HF 01-493 7262
Dealing 01-493 8545

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Opps	5	52.14	52.96	56.48	+0.12	0.20
(Accum Units)	5	53.65	54.50	58.12	+0.12	0.20
European Opps	5	76.29	76.46	81.55	-1.03	0.00
(Accum Units)	5	76.71	76.88	82.00	-1.04	0.00
Far Eastern Opps	5	128.62	128.62	137.19	-0.69	0.00
(Accum Units)	5	129.45	129.45	138.07	-0.69	0.00
Golden Opps	5	35.93	35.93	38.31	-0.53	0.00
(Accum Units)	5	36.95	36.95	39.41	-0.54	0.00
Intl Hi-Yield	5	58.94	58.97	62.89	-0.26	4.38
(Accum Units)	5	64.25	64.28	68.56	-0.28	4.38
Sanyo Japan Tst	5	62.42	62.42	66.58	-0.15	0.00
(Accum Units)	5	62.42	62.42	66.58	-0.15	0.00
Kangaroo	5	28.99	28.99	30.91	-0.13	1.35
(Accum Units)	5	29.15	29.15	31.09	-0.13	1.35
Oriental Income	5	32.79	32.79	34.96	-0.18	5.00
(Accum Units)	5	37.41	37.41	39.89	-0.20	5.00
Tiger	5	144.57	144.57	154.20	-0.89	0.72
(Accum Units)	5	147.13	147.13	156.92	-0.91	0.72
UK Hi-Yield	5	40.64	40.64	43.34	+0.21	5.28
(Accum Units)	5	46.47	46.47	49.56	+0.25	5.28
UK Opps	5	51.11	53.86	57.21	-0.34	0.74
(Accum Units)	5	55.69	58.29	62.33	-0.38	0.74

Three Counties Asset Mngmt Ltd (1430)F
Cuthbert House, Tower Road, Washington NE37 2SH 091 415 3034

Balanced Portfolio	6	88.34	89.94	95.68	+0.91	4.00

Timberlake Unit Trust Mngrs Ltd (0900)F
1 White Hart Yard, London SE1 1NX 01 407 5966

Portfolio	2	96.58	96.58	99.25	-1.36	1.19

Touche Remnant Unit Tst Mngt Ltd (1600)F
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 01-248 1250
4 Hourly Pricing – 12 Noon Historic

TR American Grwth	5¼	46.71	46.71	49.82	+0.16	0
TR Eur Sp Sits Acc	5¼	45.25	45.25	48.09	-0.38	0
TR Eur Sp Sits Inc	5¼	44.37	44.37	47.15	-0.38	0
TR Far East Opps Inc	5¼	23.04	23.12	24.60	-0.14	0
TR Far East Opps Acc	5¼	23.04	23.12	24.60	-0.14	–
TR General Growth	5¼	69.38	69.38	73.80	+0.24	2.77
TR Global Tech	5¼	71.41	72.41	76.17	+0.09	0
TR Income Growth	5¼	79.91	79.91	85.01	+0.37	4.70

	Bid Price	Offer Price	+ or -	Yield Gr's
NM Rothschild Asset Management Ltd				
NC Managed	54.5	58.0	-0.3	3.96
NC Property	191.9	205.7	—	–
J. Rothschild Fund Managers Ltd				
Intl Exempt	142.9	144.4	—	3.38
Stewart Ivory & Co Ltd				
Saints PPP Apr 2	248.4	261.5	-7.3	0.00
Thornton Unit Managers Ltd				
Managed Exempt May 1	97.17	103.38	-3.74	3.98
(Accum Units)	97.95	104.69	-3.77	3.98
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1228	1268	—	1.48
TR Exempt Nth Amer	949	982	—	3.98
TR Exempt Pac Basin	864	868	—	0

Closed to new business

INSURANCES

AA Friendly Society
Investment Mngt M & G Inv Mngt Ltd

AA Friendly Sy Apr 12	–	168.1	—	–

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	299.6	315.4	-0.1	–
Equity Ser. 1	122.0	128.5	+1.1	–
Prop. Acc. Ser 2	461.8	486.2	-0.1	–
Equity Ser 2	141.5	149.0	+1.3	–
Selective Acc	330.9	348.4	+1.5	–
Prop. Ser. 4	362.4	381.5	–	–
Equity Ser. 4	146.3	154.1	+1.6	–

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or –	Yield Gross
Life Funds				
Managed Cautionary	98.1	103.3	-0.3	–
Managed Growth	134.1	141.2	-0.6	–
Managed Opportunity	137.6	144.9	-0.8	–
NFMC Target Financial	93.5	98.5	-1.6	–
Pension Funds				
Managed Cautionary	104.7	110.3	-0.1	–
Managed Growth	138.4	145.7	-0.6	–
Managed Opportunity	139.2	146.6	-0.8	–
NFMC Target Mngd Pen	1447.0	1523.2	+6.8	–

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or –	Yield Gross
Managed Fund	215.1	226.5	–	–
Managed Prospect Fund	180.7	190.3	–	–
Pens Managed	280.1	294.9	–	–
Pens UK Equity	324.6	341.7	–	–
Pens Overseas Equity	393.8	414.6	–	–
Pens Property	142.3	149.8	–	–
Pens Fixed Interest	165.7	174.5	–	–
Pens Index Linked	141.1	148.6	–	–
Pens Deposit	194.5	204.8	–	–
Harvester & P.R.P.				
UK Equity	141.9	149.4	–	–
Overseas Equity	141.0	148.5	–	–
Fixed Interest	113.3	119.3	–	–
Property	118.4	124.7	–	–
Index Linked	128.3	135.1	–	–
Deposit	134.9	142.1	–	–
Managed	141.2	148.7	–	–
With Profits	137.6	144.9	–	–

National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

[illegible]

MANAGEMENT SERVICES

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

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JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

GUERNSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
US Pacific Stock Fund				
NAV Apr 30	$15.59		......	–
Unico Financial Services SA Lux				
DG Investment Bank Ltd				
Unico Invest. Fund	DM70.24	72.40	(u)	3.00
Unico Equity Fund	DM63.28	65.18	(u)	3.00
Union-Investment-Gesellschaft GmbH				
Unifonds	DM37.27	39.20	(u)	–
Unirak	DM80.54	84.60	(u)	–
Unirenta	DM34.46	35.50	(u)	–
Viking Fund-SICAV				
♦NAV Apr 24 Ecu80.08				
Warburg Inv Mngmt (Isle of Man) Ltd				
Mercury 90:10 Trust (Sicav)				
Dollar Fd BOPUPs	$10.11	10.12	......	–
Dollar Fd OPUPs	$9.73	9.78	......	–
Sterling Fd BOPUPs	£10.06	10.07	......	–
Sterling Fd OPUPs	£10.99	11.05	......	–
DM Fd BOPUPs	DM9.88	9.79	......	–
DM Fd OPUPs	DM9.40	9.45	......	–
Yen Fd BOPUPs	$7.19	7.20	......	–
Yen Fd OPUPs	$9.64	9.69	......	–
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst	$12.02	12.75	-0.01	0.85
Japanese Warrants	$7.19	7.62	-0.2	–
Asian Warrants	$8.74	9.26	-0.12	–
European Warrants	$9.51	10.70	-0.11	–
Wells Fargo U.S. IT Fund				
NAV April 27	$9.33		......	–
Xiphias International Investment Fd Ltd				
Xiphias Int USD	$1.0499		......	–
Xiphias Int ECU	Ecu1.0127		......	–
Yamaichi Dynamic Mngt Co SA				
Advanced Tech	$21.15		......	–

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
CAF Money Management Co Ltd				
48 Pembury Road, Tonbridge TN9 2JD			0732 770114	
Cafcash Deposit Fd	14.78	–	15.62	3-Mth
The COIF Charities Deposit Account				
2 Fore Street, London EC2Y 5AQ			01-588 1815	
Deposit	14.80	–	15.64	3-Mth
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1R 1NX.			01-236 1425	
Call Fnd	15.12	11.83	16.19	6-Mth
7-day Fund	14.47	11.29	15.47	6-Mth
Special Fund	14.90	–	16.35	Mth
Dollar	7.00	5.46	7.45	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Aitken Hume Bank plc				
30 City Road, EC1Y 2AY.			01-638 6070	
Treasury Acc	13.50	10.53	14.60	Qtr
Mth Int Chq £1,000-£4,999	13.53	10.53	14.73	Mth
Mth Int Chq £5,000-£49,999	14.00	10.92	15.31	Mth
Mth Int Chq £50,000+	14.50	11.31	15.00	Mth
Allied Trust Bank Ltd				
97-101 Cannon St, London, EC4N 5AD			01-626 6802	
OMNA (£2,001+)	14.78	11.53	16.210	Mth
HICA (£2,001+)	13.90	10.94	15.196	Mth
PROMNA (£250,001+)	14.90	11.62	16.349	–
Bank of Ireland High Interest Cheque Acc				
36 Queen St, EC4R 1BN			01-625 7000	
2,000-9,999	13.782	10.750	14.921	Qtr
£10,000+	14.103	11.000	15.283	Qtr
Bank of Scotland				
38 Threadneedle St, EC2P 2EH			01 601 6746	
HIM Chq Acc £2,500-£24,999	13.40	10.45	14.62	Mth
£25,000+	13.65	10.64	14.91	Mth
Barclays Capital Advantage Account				
94 St Paul's Churchyard EC4M 8EH			01-248 9155	
£10,000+	14.00	10.90	15.13	Qtr
Barclays Prime Account H.I.C.A.				
PO Box 125, Northampton			0604 252891	
£1,000-£2,499	11.80	9.20	12.70	Qtr
£2,500+	12.20	9.50	13.13	Qtr
Beachmark Bank PLC Premier Account				
86 Newman Street, W1P 3LD.			01-631 3313	
Small Deposits	10.50	–	–	–
£2,500-£10,000	13.50	10.53	14.60	Qtr
£10,001-£20,000	13.75	10.73	14.89	Qtr
£20,000+	14.50	11.31	15.73	Qtr
B & C Merchant Bank PLC Portfolio Acc				
19 Motcomb Street, London SW1X 8LB			01-245 6616	
£2,500-£9,999	12.38	9.65	13.26	Qtr
£10,000-£49,999	13.75	10.73	14.94	Qtr
£50,000 and above	14.25	11.12	15.50	Qtr
Brown Shipley & Co Ltd				
Founders Court, Lothbury, London EC2.			01-606 9833	
Demand Acc	13.625	10.66	14.79	Qtr
Caledonian Bank Plc				
8 St Andrew Square, Edinburgh EH2 2PP			031 556 8235	
HICA	14.50	11.31	15.13	Yearly
Cater Allen Ltd				
20 Birchin Lane, London EC3V 9DJ			01-623 2070	
HICA	13.50	10.53	14.7378	Mth
Consort £5,000 min	14.25	11.11	15.3660	Mth
Charterhouse Bank Limited				
1 Paternoster Row, EC4M 7DH.			01-248 4000	
Sterling	13.00	10.14	14.17	Mth
U.S. Dollar	7.00	5.46	7.47	Mth
German Mark	6.50	5.07	6.94	Mth
Swiss franc	6.00	4.70	6.40	Mth
Japanese Yen	4.50	3.51	4.77	Mth
Citibank Savings				
St Martins Hse, Hammersmith Grove W6			01-741 4941	
Money Market Plus				
£2,000-£24,999	11.00	8.50	11.79	Mth
£25,000	11.50	9.00	12.31	Mth
Clydesdale Bank PLC				
30 St Vincent Place, Glasgow G1 2HL			041 248 7070	
HICA £2,000-£9,999	12.2	9.52	13.16	Qtr
£10,000-£19,999	13.0	10.14	14.04	Qtr
£20,000-£49,999	13.2	10.30	14.27	Qtr
£50,000+	13.7	10.69	14.83	Qtr
Co-operative Bank Top Tier				
78-80 Cornhill EC3			0800 616162	
£500-£999	10.2	8.0	10.9	6-Mth
£1,000-£2,499	11.5	9.0	12.3	6-Mth
£2,500-£9,999	12.1	9.5	13.0	6-Mth
£10,000-£49,999	13.4	10.5	14.4	6-Mth
£50,000+	13.7	10.75	14.7	–
Coutts & Co				
Reserve Account				
440 Strand, London WC2R 0QS			01-753 1000	
For personal customers				
£50,000+	12.375	10.128	14.02	Qtr
£20,000-£49,999	13.25	10.00	13.84	Qtr
£5,000-£19,999	12.75	9.625	13.30	Qtr
For business, charities and societies				
£100,000-£1,000,000	13.625	10.625	14.74	Qtr
£25,000-£99,999	13.50	10.375	14.38	Qtr
£10,000-£24,999	12.50	9.875	13.64	Qtr
Coutts Composite Account for clients money				
27 Bush Lane, London EC4R 0AA			01-623 3434	
Rates negotiable up to	14.6875	11.4375	–	–
Dartington & Co Ltd				
10 The Crescent, Plymouth PL1 3AB			0752 673873	
Money Mkt Acc	13.75	10.72	14.94	Qtr
Edington Plc				
1 King Street, Manchester M2 6AW			061 834 2835	
HICA (£1,000+)	14.4075	11.2412	15.46	Qtr
Money Market Deposit Account				
£1-£999	10.00	7.825	10.80	Mth
£1,000-£24,999	13.25	10.368	14.52	Mth
£25,000-£249,999	14.625	11.407	16.08	Mth
£250,000-£999,999	14.750	11.505	16.23	Mth
£1,000,000 upwards	14.875	11.603	16.36	Mth
Ninety Day Notice Account				
£10,000-£24,999	14.75	11.94	15.38	–
£25,000 upwards	15.25	11.930	16.00	–
Financial & General Bank plc				
13 Lowndes Street, London, SW1X 9EX			01-235 0096	
H.I.D.A. £5,000-£15,000	13.40	10.50	14.70	Qtr
H.I.D.A. £15,000+	13.67	10.70	15.00	Qtr
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1 1NX			01-236 1425	
Money Mngt. Acct	14.380	11.21	15.39	3-Mth
Girobank plc High Interest Cheque Acc				
10 Milk St, London EC2V 8JH			01 600 6020	
£1,000-£3,999	10.75	9.25	12.33	Yearly
£4,000-£9,999	11.00	9.50	12.67	Yearly
£10,000-£49,999	11.75	10.00	13.33	Yearly
£50,000	12.75	10.50	14.00	Yearly
Humberclyde Finance Group				
Chalfey Ct, Winchester Rd, Basingstoke			0256 841863	
£50,000+	15.00	11.70	16.30	Qtr
Lloyds Bank High Interest Cheque Account				
71 Lombard St, London EC3P 3BS			01-325 3643	
£5,000+	11.40	9.20	12.80	Mth
£10,000+	11.90	9.40	13.10	Mth
£25,000+	12.2	9.60	13.4	Mth
£50,000+	12.40	10.21	14.30	Mth
M & G/Kleinwort Benson				
M & G Hse, Victoria Rd, Chelmsford			0245 266266	
H.I.C.A. (£2,500+)	13.25	10.335	14.47	Daily
Midland Bank plc				
PO Box 2, Sheffield.			0742 528485	
High Int Chq Acc	12.14	9.50	13.13	Qtr
£10,000+	12.78	10.00	13.84	Qtr
£50,000+	13.42	10.50	14.56	Qtr
Premier Savings £5,000+	14.06	11.00	15.07	6-Mth
Exchequer Acc £10,000+	14.70	11.50	15.77	6-Mth
NatWest Special Reserve Account				
41 Lothbury, London, EC2P 2BP			01-374 3374	
£25,000 and above	13.25	10.00	13.84	Qtr
£10,000 to £24,999	12.75	9.625	13.30	Qtr
£2,000-£9,999	12.5	9.375	12.95	Qtr
£500-£1,999	11.75	9.00	12.41	Qtr
Provincial Bank PLC				
30 Ashley Rd, Altrincham, Cheshire			061-928 9011	
H.I.C.A. (£1,000+)	14.125	11.021	15.45	Mth
Royal Bank of Scotland plc Premium Acc				
42 St Andrew Sq, Edinburgh EH2 2YE.			031-228 5650	
£50,000+	13.98	10.90	15.14	Qtr
£25,000-£49,999	13.79	10.75	14.92	Qtr
£10,000-£24,999	13.59	10.60	14.71	Qtr
£2,500-£9,999	12.50	9.75	13.49	Qtr
Save & Prosper/Robert Fleming				
28 Western Rd, Romford RM1 3LB.			0708 766966	
H.I.B.A.	13.25	10.34	14.52	Daily
Sterling Bank & Trust Ltd				
Abbey Gdns, 6 Abbey St, Reading RG1 3BA			0734 592543	
HIDA £2,500+	13.70	10.72	14.68	6-Mth
TSB Bank plc (England & Wales)				
100 Lower Thames St, London EC3R 6AQ			01-623 6000	
HICA £1-£499	7.00	5.50	7.33	Yearly
£500-£1,999	9.50	7.50	10.00	Yearly
£2,000-£9,999	11.50	9.00	12.00	Yearly
£10,000-£24,999	11.75	9.30	12.30	Yearly
£25,000+	12.25	9.60	12.80	Yearly
Tyndall & Co Ltd				
29-33 Princess Victoria St, Bristol			0272 744720	
Demand Acc	13.87	10.82	15.02	Qtr
HIMA	13.75	10.73	14.93	Qtr
HIMA £100,000+	14.00	10.92	15.22	Qtr
Client Plus Acc	13.37	10.43	14.46	Qtr
J. Henry Schroder Wagg & Co Ltd				
120 Cheapside, London EC2V 6DS			01-382 6000	
Special Acc	13.750	10.76	15.08	Mth
£10,000 and above	14.000	10.96	15.37	Mth
Western Trust High Interest Cheque Acc				
The Moneycentre, Plymouth PL1 1SE			0752 224141	
£25,000+	14.50	11.31	15.73	Qtr
£5,000-£24,999	14.25	11.12	15.45	Qtr
£1,000-£4,999	14.00	10.92	15.17	Qtr
Wimbledon & South West Finance Co Ltd				
114 Newgate St, London EC1 7AE			01-606 9485	
High Int Cheque Acc	14.50	11.31	15.73	Qtr

NOTES—Gross rate to those exempt from composite rate of tax. Net actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers-compounded annual rate. Int Cr frequency interest credited.

UNIT TRUST NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. z Previous day's price. §§ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend. (**) Funds not SIB recognised.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound firmer

THE DOLLAR and sterling had a slightly firmer undertone on the foreign exchanges yesterday, but trading was quiet with many financial centres closed for May Day. Traders looking for confirmation that US economic growth is increasing could find comfort in a rise in the National Association of Purchasing Management index to 50.2 per cent from 48.8 per cent in March. A figure of over 50 per cent suggests expansion in the economy and, according to analysts, yesterday's data indicate that the manufacturing sector has grown slightly after declining for the previous 11 months.

In its half yearly economic forecast the general view of members of NAPM is that a US recession is unlikely this year. There is hope of modest growth despite the threat of rising costs, high interest rates and a sluggish economy at present. The survey did nothing to dispel recent speculation about a possible tightening of the Federal Reserve's monetary stance, but there was little impact on the dollar.

At the London close the dollar had firmed to DM1.6800 from DM1.6785; to FFr5.6350 from FFr5.6325; to SFr1.4545 from SFr1.4510; and to Y158.85 from Y158.80. On Bank of England figures the dollar's index was unchanged at 68.4.

Sterling gained a little ground, supported by a squeeze on short positions as liquidity tightened on the London money market at the beginning of this week, but the outlook for the currency remains uncertain according to traders. The next test for the pound is likely to be tomorrow's local government elections in Britain, but large losses for the ruling Conservative Party are probably already built in to sterling's value. This suggests there may be room for a rally if the Government can find some comfort in the result.

In London sterling rose 10 points to $1.6405. It also advanced to DM2.7550 from DM2.7525; to FFr9.2450 from FFr9.2350; to SFr2.3850 from SFr2.3800; and to Y260.50 from Y260.25. According to the Bank of England the pound's index rose 0.3 to 86.9.

The D-Mark drifted aimlessly in quiet trading with many European centres, including Frankfurt, closed for May Day. At the London close the D-Mark had firmed slightly to L732.75 from L732.65 against the Italian lira but had eased to FFr3.3540 from FFr3.3555 in terms of the French franc. It was little changed at Y94.55 against the yen.

The Australian dollar weakened against its US counterpart after further intervention by the Reserve Bank of Australia. The central bank intervened to sell the Australian dollar at around 74.80 US cents, and the local currency closed in Sydney at 74.65 cents. Later in London it fell to 74.60 cents from 75.00 cents on Monday.

Figures on this page for French financial futures (MATIF) under the heading of Financial Futures and Options are for Monday April 30. Paris markets were closed yesterday for May Day.

EURO-CURRENCY INTEREST RATES

May 1	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15-14¾	15⅛-14⅞	15⅛-15⅛	15⅝-15⅛	15⅞-15⅛	16-15¾
US Dollar	8¼-8⅛	8¼-8⅛	8¼-8⅛	8⅜-8⅞	8⅞-8¾	9¼-9⅛
Can. Dollar	13-12¾	13-12¾	13¼-13	13¾-13¼	13⅞-13⅞	13⅞-13⅞
D. Guilder	8¼-7⅞	8¼-7⅞	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞	9¼-9⅛
Sw. Franc	9¼-9	9¼-9	9⅞-9⅞	9⅞-9⅞	9⅞-9¾	9⅞-9⅞
Deutschmark	7⅞-7⅞	7⅞-7¾	8⅛-7⅞	8⅞-8⅞	8⅞-8⅞	9¼-9
Fr. Franc	9¾-9⅝	9⅞-9⅝	9⅞-9⅝	9⅞-9⅞	10-9⅞	10¼-10
Italian Lira	13-11	12-11	11⅞-11⅛	11⅞-11⅛	12⅛-11¾	12⅞-12⅛
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 9⅛-9⅛ per cent; three years 9⅞-9⅛ per cent; four years 9⅞-9⅝ per cent; five years 9⅞-9⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

£ IN NEW YORK

May 1	Latest	Previous Close
£ Spot	1.6365-1.6375	1.6400-1.6410
1 month	0.94-0.93pm	0.98-0.96pm
3 months	2.66-2.63pm	2.66-2.62pm
12 months	9.45-9.35pm	9.45-9.35pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). *Rates are for May 30.

OTHER CURRENCIES

May 1	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Korea(Sth)	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxembourg	56.80-56.90	34.60-34.70
Malaysia	4.4430-4.4545	2.7145-2.7165
Mexico	4606.40-4610.90	2810.00-2815.00
N. Zealand	2.8735-2.8780	1.7565-1.7585
Saudi Ar.	6.1365-6.1425	3.7500-3.7510
Singapore	3.0675-3.0750	1.8740-1.8760
S. Af (Cm)	4.3530-4.3645	2.6590-2.6640
S. Af (Fn)	6.5800-6.7145	4.0160-4.0980
Taiwan	43.25-43.35	26.40-26.45
U.A.E.	6.0080-6.0155	3.6715-3.6735

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.16-5.11cpm 12 month 9.37-9.27cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

May 1	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.641	2.755	260.5	9.245	2.385	3.100	2020	1.910	56.85
$	0.609	1	1.679	158.8	5.634	1.453	1.889	1231	1.164	34.65
DM	0.363	0.596	1	94.55	3.356	0.866	1.125	733.2	0.693	20.64
YEN	3.839	6.299	10.58	1000.	35.49	9.155	11.90	7754	7.332	218.2
F Fr.	1.082	1.775	2.980	281.8	10.	2.580	3.353	2185	2.066	61.49
S Fr.	0.419	0.688	1.155	109.2	3.876	1	1.300	847.0	0.801	23.84
H Fl.	0.323	0.529	0.889	84.03	2.982	0.769	1	651.6	0.616	18.34
Lira	0.495	0.812	1.364	129.0	4.577	1.181	1.535	1000.	0.946	28.14
C $	0.524	0.859	1.442	136.4	4.840	1.249	1.623	1058	1	29.76
B Fr.	1.759	2.887	4.846	458.2	16.26	4.195	5.453	3553	3.360	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

(LIFFE long gilt futures options; LIFFE US Treasury bond futures options; LIFFE Bund futures options; LIFFE Eurodollar options; LIFFE Euromark options; LIFFE short sterling options; London (LIFFE): 20-year 9% notional gilt, US Treasury bonds 8%, 6% notional German Govt. bond, 6% notional long term Japanese Govt. bond, three month sterling, three month Eurodollar, three month Euromark, FT-SE 100 index; Chicago: US Treasury bonds (CBT) 8%, US Treasury bills (IMM), Japanese yen (IMM), Deutschmark (IMM), Swiss franc (IMM), three-month Eurodollar (IMM), Standard & Poors 500 index, Philadelphia SE £/$ options; French (MATIF): 10 year 10% notional French bond (MATIF) futures, option on long-term French bond (MATIF), three-month Pibor futures (MATIF), CAC-40 futures (MATIF) stock index; figures largely illegible.)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6405	1.6311	1.6141	1.5892	1.5473

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Jun	1.6258	1.6268	1.6222	1.6280
Sep	1.6000	1.6020	1.5986	1.6034
Dec	-	-	1.5770	1.5802

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*16	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Dunbar Bank PLC	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Duncan Lawrie	15	Roxburghe G'rantee	15½
Associates Cap Corp	15½	Equatorial Bank plc	15	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Royal Trust Bank	15
Bank of Baroda	15	Financial & Gen. Bank	15	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	First National Bank Plc.	16½	Standard Chartered	15
Bank Credit & Comm.	15	● Robert Fleming & Co.	15	TSB	15
Bank of Cyprus	15	Robert Fraser & Ptns.	15½	UDT/Unibanken Plc	15
Bank of Ireland	15	Girobank	15	● United Bk of Kuwait	15
Bank of India	15	● Guinness Mahon	15	United Mizrahi Bank	15
Bank of Scotland	15	HFC Bank plc	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	● Hambros Bank	15	Western Trust	15
Barclays Bank	15	Hampshire Trust Plc	15½	Westpac Bank Corp.	15
Benchmark Bank PLC	15	Heritable & Gen Inv Bnk.	15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	● Hill Samuel	§15	Yorkshire Bank	15
● Brown Shipley	15	C. Hoare & Co.	15		
CL Bank Nederland	15	Hongkong & Shangh	15		
● Charterhouse Bank	15	● Leopold Joseph & Sons	15		
Citibank NA	15	Lloyds Bank	15		
City Merchants Bank	15	Meghraj Bank Ltd	15		
Clydesdale Bank	15	McDonnell Douglas Bnk.	15		
Comm. Bk. N. East	15	Midland Bank	15		
		Mount Banking	15		
		Nat Bk. of Kuwait	15		

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MONEY MARKETS

London rates ease

A firmer pound led to an easing of interest rates on the London money market and provided support for short sterling futures on Liffe yesterday. The markets remained nervous, however, after Monday's confirmation by Mr John Major, the UK Chancellor, that inflation will rise sharply in the next few months.

Three-month sterling interbank declined to 15⅝-15½ per cent from 15¾-15⅝, and 12-month money fell to 15⅞-15⅞ per cent from 16-15⅞. On Liffe September delivery short sterling was quiet, but generally firm, widening its differential over the June contract to 10 from 8 basis points. September short sterling opened higher at 84.72. It touched a peak of 84.77, before closing back at 84.72, compared with 84.69 on Monday.

UK clearing bank base lending rate
15 per cent
from October 5

Day-to-day credit was in slightly short supply on the money market, but conditions were much more comfortable than on Monday. The Bank of England initially forecast a credit shortage of £250m, but revised this to £450m at noon. Total help of £479m was provided.

Before lunch the authorities bought £160m bank bills outright in band 2 at 14¾ per cent. In the afternoon another £104m bills were purchased, by way of £12m bank bills in band 1 at 14¾ per cent, and £92m bank bills in band 2 at 14¾ per cent. Late assistance of around £215m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £210m, with the unwinding of bill repurchase agreements absorbing £519m, and bank balances below target £125m. These factors outweighed Exchequer transactions adding £485m to liquidity and a fall in the note circulation of £105m.

In Amsterdam the Dutch Central Bank left its special advances rate unchanged at 8 per cent yesterday.

In Tokyo the money market is likely to face a credit shortage of around Y700bn today, according to dealers. The Bank of Japan will probably inject enough liquidity to cover the shortage and prevent overnight rates from rising sharply ahead of a four-day weekend starting tomorrow.

The central bank bought Y300bn in bills yesterday, despite the fact that there was a surplus of Y620bn on the day, but is expected to tighten its monetary stance next week ahead of the May 15 reserve period for banks.

FT LONDON INTERBANK FIXING

(11.00 a.m. May 1) 3 months US dollars		6 months US Dollars	
bid 8⅝	offer 8¾	bid 8¾	offer 8⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9¾
Fed funds	8¼
Fed. funds at intervention	8¼

Treasury Bills and Bonds

One month	7.09	Three year	9.12
Two month	7.84	Four year	9.12
Three month	8.27	Five year	9.11
Six month	8.51	Seven year	9.12
One year	8.58	10-year	9.09
Two year	9.05	30-year	9.05

May 1	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.50-7.75	8.00-8.10	8.10-8.20	8.25-8.35	8.65-8.80	8.00
Paris	9⅞-9⅞	9⅝-9¾	-	9⅞-9⅞	-	9.50
Zurich	8⅝-8⅞	9¼-9⅛	-	9¼-9⅛	-	-
Amsterdam	8.40-8.50	8.35-8.40	-	8.56-8.64	-	-
Tokyo	7⅛-7¼	7⅛-7⅜	-	7⅞-7⅞	-	-
Milan	11⅝-12¼	11-11½	-	11¾-12⅛	-	-
Brussels	7.50	9⅞-10	-	10¼-10⅜	-	-
Dublin	10⅛-10⅜	11½-11⅝	11⅝-11⅝	11⅞-11⅞	12-12⅛	-

LONDON MONEY RATES

May 1	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15½	15⅛	15⅛	15⅝	15⅞	15⅞
Interbank Bid	14	14¾	15	15¼	15⅝	15⅞
Sterling CDs	-	-	15⅛	15⅜	15½	15⅞
Local Authority Deps.	14⅞	14⅞	15	15¼	15½	15¾
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15½	14⅞	14⅞	14⅝	-	-
Company Deposits	-	-	15⅛	15⅜	15⅜	15⅞
Finance House Deposits	-	-	15⅛	15⅜	15⅞	15⅞
Treasury Bills (Buy)	-	-	14⅞	14⅞	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	14¾	-
Fine Trade Bills (Buy)	-	-	15⅜	15⅜	15⅛	-
Dollar CDs	-	-	8.45	8.60	8.82	9.17
SDR Linked Dep. Offer	-	-	9⅛	9⅜	9⅜	9⅞
SDR Linked Dep. Bid	-	-	9	9¼	9⅜	9⅞
ECU Linked Dep. Offer	-	-	10⅛	10⅜	10⅞	11⅛
ECU Linked Dep Bid	-	-	10⅛	10¼	10⅞	11⅛

Treasury Bills (sell); one-month 14⅞ per cent; three months 14⅞ per cent; Bank Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; Treasury Bills; Average tender rate of discount 14.6200 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 30, 1990. Agreed rates for period May 26 to June 25, 1990, Scheme I: 15.94 p.c., Schemes II & III: 16.49 p.c. Reference rate for period March 31, 1990 to April 30, 1990, Scheme IV&V: 15.247 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from May 1, 1990. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

GRANVILLE

SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
343	295	Ass. Brit. Ind. Ordinary	318	0	10.3	3.2	8.6
38	19	Armitage and Rhodes	23	0	-	-	-
210	135	Bardon Group (SE)	136xd	0	4.3	3.2	13.1
125	98	Bardon Group Cv Pref (SE)	98xd	0	6.7	6.8	-
123	74	Bray Technologies	80	0	5.9	7.4	7.1
110	82	Brexhill Conv. Pref	82	0	11.0	13.5	-
315	285	CCL Group Ordinary	311	0	14.7	4.7	3.8
176	165	CCL Group 11% Conv.Pref	165	0	14.7	8.9	-
225	140	Carbo Plc (SE)	210xd	0	7.6	3.6	12.4
110	109	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
7.5	0.125	*Magnet Gp Non-VotingA Cnv	0.125	0	-	-	-
5	0.125	*Magnet Gp Non-VotingB Cnv	0.125	0	-	-	-
130	86	Isis Group	86	-1	8.0	9.3	4.9
145	58	Jackson Group (SE)	107	0	3.6	3.3	12.4
322	243	Multihouse NV (AmstSE)	308	+8	-	-	-
158	98	Robert Jenkins	135	0	10.0	7.4	4.9
467	360	Scruttons	360	0	18.7	5.2	9.6
160	106	Unistrut Europe Conv Pref	155	0	9.3	6.0	-
395	260	Veterinary Drug Co. PLC	260	-2	22.0	8.5	7.0
370	278	W.S Yeates	336	+2	16.2	4.8	28.0

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of the ISE. Other securities listed above are dealt in subject to the rules of TSA
These securities are dealt in strictly on a matched bargain basis. Neither Independent Companies Exchange Limited nor Granville Davies Limited are market makers in these securities
* These securities are dealt on a restricted basis. Further details available

Independent Companies Exchange Limited
77 Mansell Street, London E1 8AF
Telephone 01-488 1212
Member of TSA

Granville Davies Limited
77 Mansell Street, London E1 8AF
Telephone 01-488 1212
Member of The ISE & TSA

COMPANY NOTICES

LONRHO FINANCE PUBLIC LIMITED COMPANY

£60,000,000 4½ per cent. Convertible Bonds 2002
Guaranteed by Lonrho Public Limited Company

NOTICE OF CONVERSION PRICE ADJUSTMENTS

NOTICE IS HEREBY GIVEN to Bondholders that, in accordance with Conditions 5(C)(I)(d) and 5(C)(4)(g) of Issue of the above Bonds, (i) consequent upon the issue of ordinary shares by Lonrho Plc on 6 April 1990 by way of a Scrip Dividend the Conversion Price was adjusted from 227p to 226p per ordinary share with effect from and including 6 April 1990 and (ii) consequent upon the issue of ordinary shares by Lonrho Plc on 27 April 1990 by way of a 1 for 10 Capitalisation Issue the Conversion Price was adjusted from 226p to 206p per ordinary share with effect from and including 27 April 1990.

Principal Paying and Conversion Agent, Kredietbank S.A., Luxembourgeoise, 43, Boulevard Royal, Luxembourg 1955

MOTOR CARS

JOTTER PAD

CROSSWORD

No.7,228 Set by VIXEN

ACROSS

1 Deal with the bench (6)
4 Most pleasing housing while the most contemptible (6)
8 It's strange perhaps showing no grief (7)
9 Magazine including pages inside for drawing (7)
11 Consenting by letter (10)
12 Finding nothing right, almost everybody is vocal (4)
13 Scholars taken by soldiers in an Iraqi city (5)
14 A scientist, a German, set in his disorganised way (8)
16 Forwarded about ten cents as a deposit (8)
18 Limits the area for stock (5)
20 Hardy girl in pantalettes – seldom worn nowadays (4)
21 Those with a simple remedy for all ills (10)
23 The last to be engaged in underhand activity (7)
24 See a great deal in black-and-white when so guided (7)
25 Note wrong answer is given (6)
26 Aim of popular nurse (6)

DOWN

1 Water side buttress (5)
2 In inclement weather most people carry a flask (7)
3 Decree support is overdue (9)
5 Moderate rating at one point (5)
6 Gain the utmost benefit from enterprise (7)
7 Few put into temporary accommodation scoffed, being cautious (9)
10 Creditors originally on the board (9)
13 The warden taking drink around oriental 6 (9)
15 Experienced sailor managed set-up and no one capsized, so the story goes (9)
17 Time is pressing (7)
19 Creating a row about an order that's abhorrent (7)
21 He doesn't like causing heartbreak (5)
22 Sort of shirt to split when leaning (5)

Solution to Puzzle No.7,227

ARMCHAIR HARLOT / ENTRANCE SINGLE / DIRGE IMBROGLIO / GAMBLE ARIZONA / ABSINTH COYOTE / COLLEAGUE STOOP / INDOOR OSCULATE / YANKED HARDSHIP

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

CANADA

TORONTO

2pm prices May 1

[illegible]

INDICES

NEW YORK

DOW JONES	Apr 30	Apr 27	Apr 26	Apr 25	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2656.76	2645.05	2676.58	2666.44	2810.15 (2/1)	2543.24 (30/1)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	88.62	88.77	88.89	89.02	93.04 (3/1)	88.62 (30/4)	—	—
Transport	1129.98	1128.20	1139.05	1136.38	1281.10 (2/1)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	203.09	203.72	206.61	206.30	236.23 (2/1)	203.09 (30/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2667.79 (2687.39) Low 2627.70 (2639.19)

STANDARD AND POOR'S

	Apr 30	Apr 27	Apr 26	Apr 25	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	330.80	329.11	332.92	332.03	359.69 (2/1)	322.98 (30/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	385.44	383.34	387.89	386.52	411.20 (2/1)	371.92 (30/1)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	26.72	26.59	26.87	26.91	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	181.49	180.74	182.66	182.30	198.00 (2/1)	178.43 (30/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	343.10	342.64	344.75	344.52	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	420.07	417.98	421.06	420.56	460.90 (3/1)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Apr 27	Apr 20	Apr 13	year ago (approx.)
Dow Industrial Div. Yield	4.15	4.07	-	3.45

	Apr 25	Apr 18	Apr 11	year ago (approx.)
S & P Industrial div. yield	3.13	3.05	3.04	3.26
S & P Indl. P/E ratio	14.72	15.08	15.13	12.65

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Chase Manhtn	1,852,700	25¼	+ ½
Ames Store	1,652,700	2	+ ⅛
IBM	1,561,400	109	+ 1⅛
Philip Morris	1,494,400	42	+ ½
Bristol Myers	1,312,400	56⅛	+ 1
Texas Ut.	1,144,200	35⅛	+ ⅝
Gen. Electric	1,028,400	64	+ ⅛
McDonald's	949,700	30⅛	- ⅛
Citicorp	927,700	22	+ ⅛
Boeing	909,200	69⅛	+ 1

TRADING ACTIVITY

† Volume Millions	Apr 30	Apr 27	Apr 26
New York	122,750	138,630	142,629
Amex	8,230	8,955	12,278
NASDAQ	(a)	116,015	115,930
Issues Traded	1,960	1,960	1,948
Rises	727	396	666
Falls	735	1,072	774
Unchanged	498	492	508
New Highs	5	13	8
New Lows	123	118	75

CANADA

TORONTO	Apr 30	Apr 27	Apr 26	Apr 25	1990 HIGH	1990 LOW
Metals & Minerals	2807.50	2899.30	2949.40	2887.50	3453.05 (4/1)	2850.80 (23/4)
Composite	3341.00	3336.10	3369.50	3343.20	4089.47 (3/1)	3336.10 (27/4)
MONTREAL Portfolio	1730.06	1720.25	1740.65	1724.96	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

WORLD INDICES

AUSTRALIA, AUSTRIA, BELGIUM, DENMARK, FINLAND, FRANCE, GERMANY, HONG KONG, IRELAND, ITALY, JAPAN, MALAYSIA, NETHERLANDS, NORWAY, PHILIPPINES, SINGAPORE, SOUTH AFRICA, SOUTH KOREA, SPAIN, SWEDEN, SWITZERLAND, TAIWAN, THAILAND

[illegible]

WORLD	Apr 30	Apr 27	Apr 26	Apr 25	1990 HIGH	1990 LOW
M.S. Capital Intl. (1/1/70)	(c)	(c)	475.4	478.8	571.0 (4/1)	468.3 (2/4)

**Saturday Apr. 28: Taiwan Weighted Price: 9645.50 Korea Comp Ex. 720.37

& Subject to official recalculation.

Agrb Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday May 1 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Mining	16.0m	1,000	+19
Isuzu	12.9m	1,120	+20
TDK	8.4m	7,080	+180
Hitachi	1.8m	1,600	+20
Sankyo Alum	0.8m	2,070	+100
Sony	0.5m	8,650	+180
Kubota	0.5m	987	+57
Osaka Gas	0.4m	854	+19
Nippon Steel	0.4m	571	-8
NEC	0.3m	2,140	+80

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

3pm prices May 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	20¼	AAR	.48	2.2	13	1546	22⅛	21⅞	22	+ ½
9⅛	8	ACM n	1.01	13.		509	8⅛	8	8	– ⅛
11⅝	10⅛	ACMIn	1.26	12.		219	10¼	10⅛	10⅛	
9⅞	7⅛	ACM M	n1.01	14.		160	7½	7⅜	7⅜	– ⅛
12⅛	11⅛	ACMMM				365	11⅞	11½	11⅞	
11½	9⅜	ACM Sc	1.26	13.		479	9⅞	9⅞	9⅞	
9⅝	8⅛	ACMSp	1.01	12.		520	8⅛	8⅛	8⅛	
22⅝	14⅞	AL Lab	.16	.8	19	112	20¾	20½	20½	– ⅜
4½	3	AMCA	.20e	6.2	10	75	3⅛	3⅛	3⅛	
6⅛	2⅛	AM Intl			8	655	2½	2⅜	2⅜	– ⅛
23⅛	12½	AM In pf	2	16.		57	12⅞	d12⅜	12½	– ⅜
107⅛	52½	AMR			12	4891	63½	62⅝	63	+ ⅝
27	25	ANR pf	2.67	10.		7	25⅜	25⅜	25⅜	
4⅜	3	ARX				43	3	3	3	
72⅜	39	ASA	3a	6.3		1058	48⅛	47⅛	48	
70½	54⅝	AbtLab	1.68	2.5	17	2756	67⅞	66⅝	67⅝	+ ⅞
35⅛	27⅛	AbtLb wi				28	33⅞	33⅝	33⅞	+ ⅜
17⅛	11⅛	AbitiBi g	.50			36	12⅛	12⅛	12⅛	
13	8⅞	AcmeC	.40	4.4	11	10	9	9	9	– ⅛
9⅛	7⅛	AcmeE	.32	3.7	11	19	8⅝	8½	8⅝	+ ⅛
38½	28⅜	Acuson			23	698	38⅜	38	38⅛	+ ⅛
16½	13⅜	AdaEx	2.08e	13.		149	15⅝	15½	15⅝	+ ⅛
15⅜	8⅛	Adobe				55	11⅛	11⅛	11⅛	– ⅛
20⅛	17½	Adob pf	1.84	9.8		10	18⅜	18⅜	18⅜	– ⅛
21⅝	19⅞	Adob pf	2.40	12.		14	20½	20½	20½	– ⅛
10⅛	6⅞	AMD			19	3494	8⅞	8⅝	8⅞	
10⅛	4⅛	Advest	.16	3.6	55	105	4½	4½	4½	
62½	45⅛	AetnLf	2.76	5.8	8	2636	47½	46⅛	47½	+ 1⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25¾	16⅛	Ryland	.60	2.9	6	19	20½	20⅛	20⅜	+ ⅛
14¾	6⅜	Rymer				5	10⅝	10⅝	10⅝	+ ¼
10⅝	6⅝	Rymr pf1.17		13.		3	9¼	9	9¼	+ ¼
		– S–S–S –								
41	32¾	SCEcp	2.66	7.0	10	1194	36⅛	35⅞	36⅛	+ ½
9½	7⅜	SL Ind	.17b	2.3	12	20	7½	7⅜	7½	+ ⅛
60⅛	32	SPSTec	1.28	4.0	13	7	32¼	32	32	– ⅛
38⅜	22¾	SPX Cp	1	3.7	5	83	26⅞	26¾	26⅞	+ ¼
17¾	4⅛	Saatchi	.61e	10.		3051	5	4⅞	4⅞	
14⅝	10⅞	SabnR	1.42e	12.	6	7	11½	11⅜	11½	+ ¼
8⅛	4⅞	Safecrd	.10	1.4	9	236	7⅛	7	7⅛	+ ⅛
19	12⅝	SignSo			9	7	13⅝	13½	13½	– ¼
38¾	27⅞	SaftKln	.40	1.2	25	436	32¾	31⅞	32⅜	– ⅛
12⅞	11⅝	Safewy n				1068	12½	12¼	12⅜	+ ⅛
3⅝	3	Sfwy wt				175	3⅛	3	3	– ⅛
9¼	7⅞	SahCas	1.12	15.	19	36	7⅞	7⅝	7⅝	– ⅛
45¾	35¼	StJoe n				17	36⅝	36⅛	36½	+ ⅛
26⅜	21	StJoLP	1.60	6.2	11	42	26⅝	25¾	25⅝	+ ⅛
28	6⅜	Salant				87	6⅞	d 6⅛	6¼	– ⅜
63½	38	SalleM s	.52	1.1	18	1534	46½	45⅞	46½	+ ½
28⅞	20⅛	Salomn	.64	3.1	5	2954	20⅞	20½	20½	– ⅛
45⅝	38¼	SDieGs	2.70	6.7	11	380	40⅜	40	40¼	+ ⅛
9⅞	7⅛	SJuanB	.15e	2.0	43	54	7⅞	7⅜	7⅜	
35	26	SAnhRt	2.08	7.7	17	26	27¼	27	27	
14	5	SFeEP	.80	14.		97	6⅛	d 5⅜	5⅜	– ⅛
18¼	15¼	SFER n				82	17	16½	16½	– ½
27¾	20⅜	SFePP	2.40	9.7	8	205	24⅞	24½	24⅝	
25¾	16¼	SFePCp	.10e	.5		1231	20¼	19⅞	19⅞	– ⅛
33¾	26¼	SaraL s	.84	3.1	14	11029	27¼	26	26¾	– ¾
9-16	⅛	Savin				816	15-64	7-32	15-64	
14⅞	10¼	Savo pfA				4	12⅞	12⅞	12⅞	– ⅛
35¾	30¼	SCANA	2.52	8.0	10	185	31½	31¼	31½	+ ¼
10¾	8	Schlr	1.11l			31	10	10	10	

[illegible]

NASDAQ NATIONAL MARKET

5pm prices May 1

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
			– X–Y–Z –				
XL Dts		5	251	9½	9	9	– ¼
XOMA			1594	19½	18¼	18¼	– ⅝
Xicor			1170	2½	2¼	2⅜	
YesEnS	1.14e	11	23	19	18⅞	19	
YelowF	.76	51	x2034	28⅞	27⅞	28⅜	+ ½
YorkRs		19	555	11½	11⅛	11¼	
ZionUt	1.44	10	168	29¾	28¼	29¾	+ ⅛

AMEX COMPOSITE PRICES

5pm prices May 1

[illegible]

FINANCIAL TIMES Wednesday May 2 1990

AMERICA

Dow regains early highs after dipping on data

Wall Street

A DOWNTURN in the Treasury bond market after a stronger than expected report from US purchasing managers pulled equities off their morning highs yesterday but they clawed back by midsession, *writes Janet Bush in New York.*

At 2pm, the Dow Jones Industrial Average was quoted 15.76 higher at 2,672.52, after gaining more than 15 points in the first half hour of trading but then dipping to the day's low of 2,653.83 after release of the data. Volume was moderate with 92m shares changing hands by midsession. The Dow had closed on Monday 11.71 points higher at 2,656.76.

The early buying was a continuation of the late rally on Monday which had been encouraged by a strong showing by technology stocks, particularly IBM, some stability in bond futures prices and some end-month buying by index funds.

However, the rebound was stopped in its tracks by another fall in the Treasury market.

Bonds had stood as much as ¼ point higher in early trading but then dipped back quite sharply to leave the benchmark long bond around ⅛ point lower at midsession to yield 9.04 per cent.

Treasuries reacted negatively to the publication of the latest report for April from US purchasing managers which showed an expansion in the manufacturing sector of the economy. The purchasing managers' index rose to 50.2 per cent, above the 50 per cent level which suggests growth in manufacturing.

The gain in April came after 11 consecutive monthly declines in the index of manufacturing activity and was seen in the bond market as supporting any tendency within the US Federal Reserve to tighten monetary policy.

The attitude of the Fed towards inflationary pressures is not clear. Mr John Laware, one of the Fed's governors, said yesterday that he thought that the central bank had been pretty successful in fighting inflation.

On Monday, Mr Alan Greenspan, Fed chairman, said that he saw somwhere between modest and moderate growth in factory output over the coming year. The bond market appeared to be encouraged by this remark which some argued suggested that the Fed was not leaning clearly towards a tightening. Others did not draw that conclusion.

Among featured issues yesterday was Boeing, which added $1⅞ to $71½ after reporting late on Monday that its operating earnings had jumped 87 per cent in the first quarter compared with a year earlier and announced a three-for-two stock split.

International Business Machines, which jumped $1⅝ on Monday after the company said that it expected a substantially improved performance this year, was $¼ point lower at $108¾.

Chrysler gained $¾ to $15¼ after reporting net income of 32 cents a share compared with $1.50 a share a year earlier. This was still better than expected.

Tosco, the refiner and distributor of petroleum products, slumped $5¼ to $17¼ after the company announced late on Monday that it had taken itself and its refining operations off the auction block. The company also said that it would resume its stock repurchase programme and pursue the possible sale of its fertiliser business.

Symbol Technologies fell $⅝ to $8 after reporting first quarter net income of one cent a share from 28 cents a share a year ago.

Centel, the telephone and communications company, added $⅞ to $30⅞ after the brokerage house, Smith, Barney, raised its investment rating on the stock to a buy from hold.

Canada

TORONTO stocks steadied at slightly lower levels in lacklustre trade after the US April purchasing managers report, at the highest level in a year, sparked fears of a rise in interest rates. The composite index lost 3.1 to 3,837.8 on volume of 8.88m shares. Declines led advances 281 to 229.

Oil shares were quiet despite OPEC meetings to cut oil output. Smaller oil companies bounced back from depressed prices in recent weeks. Canada Northwest rose 15 cents to C$2.10, Turbo Resources gained two cents to 41 cents and Ranger Oil firmed C$⅛ to C$7.

Encor lost seven cents to C$2.18 after reporting a net first quarter loss of 11 cents per share after three cents in the year-ago period.

Domtar fell C$⅛ to C$12. The company's first quarter net fell to 19 cents a share from 26 cents.

EUROPE

Record cash call knocks Dublin for second day

IRELAND FELL again yesterday, taking its two-day loss to 4.5 per cent. Most other bourses, with the exception of the Netherlands and Denmark, were closed for May Day.

DUBLIN dropped 1.8 per cent, following its 2.7 per cent loss on Monday which followed the largest ever funding call by an Irish public company. The ISEQ index fell 29.27 to 1,583.66 yesterday after losing 45.26 on Monday, while the financial index dropped 45.28, or 2.7 per cent, to 1,637.43. Turnover was said to have been heavier than in recent weeks.

Allied Irish Banks (AIB), the country's biggest bank, said on Monday that it was seeking I£162m through a rights issue to finance its $217m (I£136m) takeover bid for the Bank of Baltimore in the US. AIB fell I£0.06 to I£2.35 yesterday and the other big bank, Bank of Ireland, lost I£0.10 to I£2.35.

One analyst said that the market had overreacted to the rights issue news and the decline was likely to be short term. "The biggest losers are the stocks that have outperformed the market recently. Investors would not have sold these shares without the AIB rights issue."

COPENHAGEN slipped in light trading as most local investors took a half day's break for Labour Day. The bourse index eased 1.64 to 355.94. Shipping shares pulled the market down in early trade, but finished above their lows. AP Moeller's DS Svendborg B ended DKr1,500 down at DKr139,000 after falling to DKr136,000 earlier.

German union and local profit worries obscure Dutch outlook

Europe's would-be financial gateway is drifting, writes Laura Raun

BY RIGHTS, the Amsterdam stock market should be booming. Dutch economic growth is robust, inflation is low, 1989 corporate earnings were impressive and German unity is expected to provide a further economic fillip.

But uncertainty over German political and monetary union and Dutch corporate profits in 1990 is clouding the market outlook. Analysts generally expect the bourse to trade sideways or slightly lower over the next few months as it awaits clarity about Germany, interest rates, inflation and profits.

The more cyclical companies might see profits decline in the first half of 1990, observes Mr Kees de Kort, an analyst with Barclays de Zoete Wedd in Amsterdam. "The question is whether that will be temporary or the beginning of a longer term decline," he adds.

Since the beginning of the year, the CBS General All Shares Index, including internationals more affected by foreign investment interest and the dollar/guilder exchange rate, has slipped by 5.5 per cent. However, its local counterpart, the CBS General/Local Index, has held its ground; companies more dependent on the Dutch economy are expected to benefit from German economic growth, which will suck in exports from the Netherlands.

This year Amsterdam has lagged behind the German bourses, which advanced on the prospects of a commercial bonanza in Eastern Europe before they retreated again on monetary and economic fears. The generally lacklustre performance of the Dutch market is blamed on rising interest rates, which have been influenced by fears of accelerating German inflation. Higher interest rates have made Dutch bond yields more attractive than equity yields, keeping a lid on share prices.

Most analysts expect more darkness before the dawn. For one thing, Dutch corporate profits in the first half of 1990 are climbing more slowly, or actually falling compared with last year. Earnings growth will plunge to 3 per cent this year from 15 per cent last year, according to BZW, although Pierson, Heldring & Pierson expects 10 per cent growth.

Wage demands in the Netherlands are rising and will boost inflation, shrink profit margins or erode market share if they continue unabated. Until now labour productivity gains have kept pace with wage rises, thus holding down inflation. Analysts also note that Dutch pay demands – running at 3.5 to 4 per cent – are still lower than in Germany, where they are about 8 per cent, or the UK, at between 8 and 10 per cent.

But investors at home and abroad are expected to turn increasingly to Dutch shares as the implications of German monetary and political union become clearer. Dutch companies are good value compared with other European markets, West Germany in particular, according to many analysts.

"Over the longer term I'm optimistic about the [Dutch] market because Germany will provide a positive impulse," explains Mr Jan van der Harst, an analyst with Amsterdam-Rotterdam Bank.

The stock market has been encouraged by signs that Dutch interest rates are beginning to stabilise, which could perhaps herald a decline. Looking further ahead, profits of Dutch companies are expected to climb by between 7 and 10 per cent in 1991.

The Amsterdam Stock Exchange, meanwhile, is introducing another sweeping set of reforms following a gradual modernisation in recent years. The reforms are part of a broadly based initiative by the financial community to make Amsterdam a "Financial Gateway to Continental Europe." The most important steps are as follows:

- Evening trading hours will be extended on June 1;
- stamp duty of 0.12 per cent will be abolished on July 1;
- minimum securities commissions will be abolished on July 1;
- the introduction of an open order book for Dutch government bonds;
- all securities trades with foreign institutions will have to be be reported to the stock exchange; and
- corporate anti-takeover defences will be curbed.

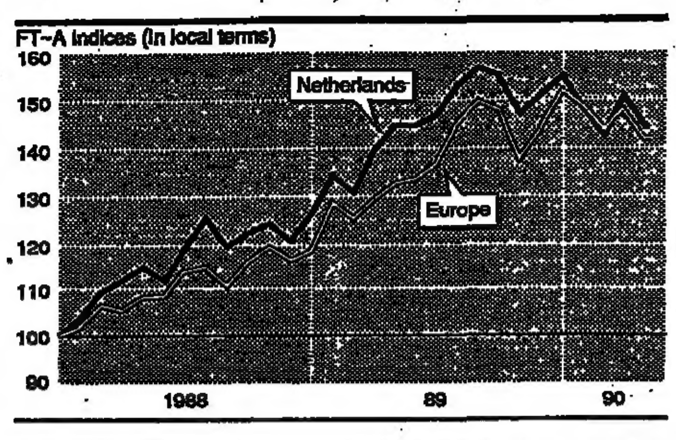
Evening trading takes place now in the top five international stocks – Royal Dutch/Shell, Unilever, Philips, Akzo and KLM Royal Dutch Airlines. But the stock exchange intends to expand that list to cover another 19 Dutch companies, such as Amro, Elsevier, DAF and DSM. The bourse believes there is sufficient demand from foreign investors, particularly Americans, and from Dutch institutional investors, who may want to adjust positions overnight.

On July 1 the stamp duty will be scrapped to try to recoup business lost to London, where as much as half of all trading in Dutch government bonds takes place. Removal of the duty will lower transaction costs compared with London, but critics wonder whether Amsterdam's jobber system, involving the specialist even in block trades, can ever match London prices.

Introduction of a new "open order" book for bond trading is still planned this year in spite of delays. Market makers will be able to compete with jobbers in providing quotes, creating a hybrid market of centralised auction and direct dealing.

For the first time stock exchange members will also be required to report all trades done with foreign institutions, including their overseas branches, to the central floor. Transparency and volume are expected to improve.

How effective the reforms will be in pulling business back to Amsterdam remains to be seen. Mr Wim Duisenberg, president of the Dutch Central Bank, admitted last week that efforts over the past year to recoup business have failed.



DUTCH INVESTORS, analysts and traders came back from Monday's holiday to be confronted yesterday with an unexpectedly bad earnings statement from DAF, the truck manufacturer. DAF was suspended at Fl 33.30, unchanged from Friday's close, before reporting that it expected to post a Fl 20m to Fl 30m loss in the first half of 1990 following a Fl 74.5m profit in the same period last year.

The statement came as a shock to London brokers and fund managers because, at a presentation in London on April 19, the company apparently gave no indication that its trading situation had deteriorated to such an extent. Furthermore, the forecasts made in its issue prospectus in May 1989 had been less than forthcoming, according to some.

Brokers said DAF's news would depress the entire Amsterdam market; corporate first quarter results due soon were expected to be neutral overall. DAF was expected to open at least Fl 5 lower today. "DAF is another 1989 issue to be listed at its peak and to go wrong, and this is not good for sentiment," said one analyst. Elsewhere, trading was lacklustre; the CBS Tendency index eased 0.2 to 116.0.

ASIA PACIFIC

Nikkei firms in thin holiday trade

Tokyo

A HOLIDAY atmosphere dominated Tokyo yesterday after Monday's closure and share prices ended firmer after moving in a narrow range in very thin trading, *writes Michiyo Nakamoto in Tokyo.*

There was very little activity on the first of only two trading days this week because of the Golden Week holidays. The stock market saw volume shrink to 240m shares, half Friday's turnover of 480m.

The Nikkei average moved in a much narrower range than investors had become accustomed to, fluctuating between a high of 29,691.58 and a low of 29,519.25 before closing 105.03 higher at 29,689.83. Advancing issues just outnumbered declining ones by 467 to 427 and a further 205 issues were unchanged. The broad-based Topix index saw a modest rise of 8.82 to 2,214.78 and, in London trading, the ISE/Nikkei 50 index rose 1.79 to 1,709.25.

It was widely expected that the market will remain fairly quiet until after the string of holidays. Investors also preferred to wait for Friday's release of US employment data for April and next week's US treasury bond auctions, before making new commitments. In addition, although market sentiment has improved since the huge falls earlier this year, there were still lingering fears of another increase in the official discount rate.

After a sluggish start to trading, which took share prices lower by the morning close, the market was supported by small-lot buying in high technology issues, particularly electricals, which many investors expect to be market leaders after the holidays.

Among the favoured issues was TDK, the maker of magnetic tape, which rose to the third slot on the volumes list with 6.4m shares, on a surge of buying interest. It gained Y180 to Y7,060. Sony was also actively traded and increased by Y180 to Y8,650. Pioneer, which has attracted interest on the strength of its buoyant laser disc business, advanced Y60 to Y6,020.

Meanwhile, investors seeking bargains picked up blue chip electricals such as Hitachi and NEC, which are at relatively attractive levels. Hitachi added Y20 to Y1,600 and NEC rose Y30 to Y2,140, both in active trading.

Nippon Mining topped the volumes list with 18m shares and gained Y19 to Y1,000. The resources company, which has oil interests, continued to attract buying on talk of a Middle Eastern country looking at the prospect of buying a Japanese oil refinery.

Investors stayed in pursuit of Isuzu, the automobile maker, on reports that it has developed a blood testing machine which can test for AIDS and the hepatitis B-type virus. Isuzu was second in volume with 12.9m shares and rose Y20 to Y1,120.

Interest in special situations gave the OSE average in Osaka a modest boost of 93.85 to 32,146.69. Trading was thin with turnover falling to 24.8m shares from 36.9m on Friday.

Roundup

SOUTH KOREA bounced back yesterday after its 4.4 per cent fall on Monday, and Australia and New Zealand also rose after protracted weakness. Taiwan, however, took another tumble. Several markets, including Singapore and Malaysia, were closed for holidays.

SEOUL swung upwards, after the previous day's record plunge, on the news that the Government had changed its stance and was intervening in the market.

The composite index gained 29.79, or 4.3 per cent, to 718.45 in spite of a call for a national strike in protest at the recent police action at the Hyundai Heavy Industries shipyard and other concerns hit by industrial action. Turnover more than doubled to 136bn won from Monday's 64bn won.

Economic ministers urged securities, insurance and finance companies to stop property speculation and exhorted them to invest in stocks instead. The government said that it could force this issue, but dealers expected the rally to be shortlived.

TAIWAN fell sharply on international and domestic political worries. Relations between China and Taipei appear to have worsened after Chinese criticism of Taiwanese support for a radio ship, designed to broadcast pro-democracy propaganda to the mainland.

In addition, Taiwan's Cabinet is expected to resign by the middle of the month, and a new Cabinet to be announced after the inauguration of President Lee Teng-hui on May 20.

The weighted index dropped 557.44, or 6 per cent, to 8,734.93, the year's low. Volume was 1.18bn shares worth NT$97.2bn.

AUSTRALIA rose for the first time in seven sessions as leading stocks gained after recent losses. But the recovery was half-hearted and many smaller stocks continued to slip.

The All Ordinaries index rose 6.1 to 1,440.6 and turnover grew to 79m shares valued at A$150m from Monday's 71m shares valued at A$125m.

Elders IXL recovered 7 cents to A$1.75, after falling to a morning low of A$1.69, buoyed by newspaper reports that Harlin Holdings, Elders' troubled parent, was trying to negotiate an injection of capital from its shareholders. BHP, which has a large investment in Harlin, rallied 16 cents to A$8.90.

Gold stocks sank further as bullion prices weakened. ACM Gold fell 6 cents to A$1.17 and Emperor dropped 5 cents to A$1.30. But more diversified miners firmed as the Australian dollar fell.

NEW ZEALAND edged higher in thin turnover following a drop in the domestic dollar, after a four-session decline which had wiped 4.6 per cent off the Barclays index and pushed the market to a two-year low. Brokers said the recovery was a technical rebound because the fundamentals were unchanged.

The Barclays index added 11.51 to 1,684.91. Turnover fell to just 4.8m shares valued at NZ$5.3m, down from Monday's 7.1m shares valued at NZ$7.9m. Market leader Fletcher Challenge firmed 1 cent to NZ$4.16 on volume of 340,000 shares.

Among other leading shares, Brierley Investments also added 1 cent to NZ$1.52.

HONG KONG finished down, but above its day's lows, in quiet trading. The Hang Seng index eased 4.91 to 2,945.18 in turnover of HK$720m, down from HK$818m on Monday.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY APRIL 30 1990						FRIDAY APRIL 27 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (81)	126.81	−0.7	114.67	111.58	−1.5	6.21	127.69	115.68	113.29	158.31	126.81	134.61
Austria (19)	248.52	−2.3	224.73	216.91	−2.6	1.23	254.28	230.38	222.59	285.63	193.15	123.44
Belgium (61)	146.58	+0.1	132.55	125.25	+0.1	4.65	146.46	132.69	125.15	160.02	132.11	133.29
Canada (120)	130.46	+0.1	117.97	110.05	+0.2	3.62	130.37	118.11	109.84	153.61	130.37	136.35
Denmark (34)	241.52	−1.3	218.41	209.74	−1.3	1.00	244.63	221.62	212.52	260.82	236.69	179.98
Finland (26)	132.32	+1.6	119.66	110.31	+1.5	2.42	130.18	117.94	108.70	152.29	129.99	155.00
France (125)	161.91	−0.9	146.41	143.05	−0.7	2.83	163.32	147.96	144.04	166.43	141.69	119.69
West Germany (93)	127.71	−0.5	115.49	111.44	−0.3	1.98	128.35	116.28	111.81	137.71	122.05	88.02
Hong Kong (48)	122.03	−1.2	110.35	122.09	−1.1	5.10	123.48	111.85	123.50	126.90	112.24	132.02
Ireland (17)	176.66	−3.2	159.75	155.97	−3.0	2.76	182.50	165.34	160.77	198.57	176.66	148.68
Italy (96)	99.85	−0.6	90.29	91.70	−0.4	2.50	100.42	90.97	92.11	103.73	91.85	81.31
Japan (454)	135.25	+0.0	122.31	135.76	+0.0	0.61	135.25	122.53	135.76	197.26	124.40	188.71
Malaysia (35)	205.52	−1.0	185.85	214.90	−1.1	2.52	207.66	188.13	217.21	245.32	205.52	177.64
Mexico (13)	408.48	+0.2	369.39	1254.98	+0.2	0.41	407.87	369.51	1253.09	412.02	324.53	182.73
Netherland (43)	135.88	−0.2	122.87	117.09	+0.0	4.81	136.10	123.30	117.09	145.66	130.43	117.52
New Zealand (17)	59.90	−1.6	54.16	55.33	−1.7	7.92	60.86	55.16	56.30	75.36	59.90	70.83
Norway (24)	220.24	+0.2	199.16	195.05	+0.1	1.60	219.87	199.19	194.80	245.90	202.34	185.81
Singapore (25)	181.12	−0.7	163.78	156.58	−0.8	1.93	182.46	165.29	157.77	199.38	179.70	153.18
South Africa (60)	176.31	+0.7	159.44	156.34	+0.3	3.79	175.02	158.56	155.84	251.39	173.80	141.87
Spain (42)	151.82	+0.0	137.29	121.80	−0.3	4.36	151.84	137.56	122.22	165.19	132.84	152.87
Sweden (35)	185.67	−0.4	167.90	167.60	−0.5	2.40	186.50	168.96	168.41	206.95	173.89	158.37
Switzerland (65)	90.00	−1.1	81.38	80.96	−1.5	2.56	91.03	82.47	82.17	99.12	88.75	74.83
United Kingdom (306)	139.87	−0.1	126.49	126.49	−0.3	5.22	140.04	126.87	126.87	164.31	139.87	147.63
USA (537)	133.78	+0.5	120.97	133.78	+0.5	3.60	133.11	120.59	133.11	145.40	130.61	125.82
Europe (986)	136.03	−0.4	123.01	120.08	−0.5	3.71	136.62	123.77	120.63	146.66	135.57	119.78
Nordic (119)	185.98	−0.6	168.18	158.36	−0.6	1.76	187.08	169.49	159.37	201.89	185.01	155.09
Pacific Basin (660)	134.36	−0.1	121.50	134.11	−0.1	0.95	134.45	121.80	134.23	192.75	124.63	184.13
Euro−Pacific (1646)	135.39	−0.2	122.43	128.96	−0.2	2.07	135.66	122.92	129.27	174.18	130.35	158.41
North America (657)	133.49	+0.5	120.71	132.21	+0.5	3.60	132.85	120.36	131.57	145.78	131.02	126.36
Europe Ex. UK (680)	131.68	−0.6	119.08	115.50	−0.5	2.82	132.48	120.02	116.13	136.21	124.81	102.47
Pacific Ex. Japan (206)	123.05	−0.9	111.28	112.06	−1.3	5.40	124.18	112.50	113.55	139.32	123.05	129.19
World Ex. US (1839)	135.78	−0.2	122.78	128.90	−0.2	2.14	136.04	123.24	129.19	173.77	131.30	157.49
World Ex. UK (2070)	133.46	+0.1	120.69	130.84	+0.1	2.36	133.37	120.83	130.76	162.00	130.80	144.86
World Ex. So. Af. (2316)	133.76	+0.0	120.96	130.20	+0.0	2.63	133.70	121.13	130.17	161.84	131.95	145.11
World Ex. Japan (1922)	134.72	+0.1	121.83	127.78	+0.0	3.71	134.62	121.96	127.72	145.52	134.62	124.24
The World Index (2376)	134.02	+0.0	121.19	130.38	+0.0	2.64	133.95	121.35	130.35	162.05	132.25	145.09

Latest prices were unavailable for this edition. Markets closed April 30: Japan and Netherlands.